Integrated Annual Report

2024

better never rests

ENTER

CAPITEC

Capitec Bank Holdings Limited
(Capitec or the group or the company)

Contents

better never rests

At Capitec, we've always believed in pushing boundaries, challenging norms and constantly evolving to meet the ever-changing needs of our clients. Better never rests is a promise that underscores our unwavering commitment to excellence, constant improvement and forward momentum. Our future endeavours will be marked by even greater digital integration, fostering financial inclusivity and championing our clients' dreams.

About this report

Capitec Bank Holdings Limited (Capitec or the group) is listed on the Johannesburg Stock Exchange Limited (JSE). It owns the operating subsidiaries Capitec Bank Limited (Capitec Bank or the bank), Capitec Ins Proprietary Limited (Capitec Ins) and Capitec Life Limited (Capitec Life).

What we cover

This report provides information about Capitec's operational and financial performance for the financial year 1 March 2023 to 29 February 2024. Any material events after this date and up to the board approval date have also been included.

We demonstrate how we will continue to add value for our stakeholders through our business model, strategies, innovations and responsible approach to governance.

Materiality

The integrated annual report focuses on matters that have the potential to materially impact our ability to create and sustain value over the short, medium and long term.

Management is not aware of any material information that was unavailable or any legal prohibitions to the publication of any information in this report.

What guided us

This report was compiled in accordance with:

- the Companies Act of South Africa, Act 71 of 2008 (Companies Act)
- International Financial Reporting Standards (IFRS®)
- the International Integrated Reporting Framework of the International Integrated Reporting Council
- the JSE Listings Requirements
- the King IV Report on Corporate Governance for South Africa, 2016™ (King IV™)
- the United Nations Sustainable Development Goals (UN SDGs).

Forward-looking statements

Certain statements in this report may be regarded as forward-looking statements or forecasts about the group's strategy, performance and operations but do not represent an earnings forecast or guarantee. Actual results and outcomes may differ materially from those expressed in or implied by these statements as they relate to future events and circumstances. All forward-looking statements are based solely on the views and considerations of the directors. These forward-looking statements have not been reviewed and reported on by the external auditors.

Assurance

Our joint external auditors, PricewaterhouseCoopers Inc. (PwC) and Deloitte & Touche (Deloitte), provided independent assurance on the fair presentation of the financial statements for the year ended 29 February 2024. The external auditors also read the integrated annual report and considered whether any information provided in it is materially inconsistent with the financial statements or their knowledge obtained during the course of their audit or otherwise appears to be materially misstated. No such misstatement was reported.

We appreciate your feedback

If you would like to know more about us, please visit our website at **www.capitecbank.co.za**.

We welcome any feedback stakeholders may have on this report. Kindly email us at **enquiries@capitecbank.co.za**.

Board approval

The Capitec board is responsible for overseeing the integrity and completeness of this report. The board, the audit committee, the human resources and remuneration committee (REMCO) and the social, ethics and sustainability committee (SESCO) considered the accuracy and completeness of the report and are satisfied with the reliability of all data and information. In the board's opinion, this report addresses all matters that are material to the group's ability to create value. The board is satisfied that the report fairly presents the integrated performance of the group for the reporting period. It was approved and signed on behalf of the board on 22 April 2024 by:

Santie Botha
Chairman

Gerrie Fourie
Chief executive officer (CEO)

We have removed all signatures from this document to protect the security and privacy of all our signatories.

Navigation tools

Capitals

- Financial
- Manufactured
- Human
- Intellectual
- Social and relationship
- Natural

Strategic objectives

- Client experience
- Client quality
- Digital
- World-class data business
- Business delivery
- People
- New capabilities

Our fundamentals

- Simplicity
- Affordability
- Accessibility
- Personal experience

Our products

- Transact
- Save
- Insure
- Credit
- Live Better
- Connect

Alignment with the UN SDGs

We are creating long-term value by contributing to positive outcomes towards the UN SDGs.
We identified the 9 goals below as those where we believe we can have the most meaningful impact.

01

performance and outlook

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Headline earnings per share
+16%
to **9 171 cents**

Headline earnings
+16%
to **R10.6 billion**

Full-year dividend per ordinary share
4 875 cents

Net non-interest income to income from operations after credit impairments
72%

Return on equity
26%

Capital adequacy ratio
36%

Active clients
+10%
to **22.2 million**

Retail bank app users
+19%
to **11.2 million**

5 years at a glance

		2024	Restated[1] 2023	% change[2] 2024/2023	2022	2021	2020[3]
Profitability							
Interest income	R'm	**25 806**	21 199	22	17 454	16 544	17 041
Interest income on lending	R'm	**18 189**	15 799	15	13 247	13 401	13 552
Interest income on investments and other financial instruments	R'm	**7 617**	5 400	41	4 207	3 143	3 489
Interest expense	R'm	**(9 342)**	(6 993)	34	(4 838)	(4 985)	(5 680)
Net interest income	R'm	**16 464**	14 206	16	12 616	11 559	11 361
Credit impairments	R'm	**(8 725)**	(6 329)	38	(3 508)	(7 825)	(4 474)
Net interest income after credit impairments	R'm	**7 739**	7 877	(2)	9 108	3 734	6 887
Net loan fee income	R'm	**1 208**	1 079	12	951	898	890
Net transaction and commission income	R'm	**14 787**	11 461	29	10 515	8 708	7 416
Net insurance result[4]	R'm	**3 178**	2 685	18	2 446	1 615	1 394
Credit life	R'm	**1 882**	1 667	13	1 540	965	981
Funeral plan	R'm	**1 296**	1 018	27	906	650	413
Net foreign currency income	R'm	**161**	162	(1)	144	111	38
Other income	R'm	**245**	158	55	290	114	32
Net non-interest income	R'm	**19 579**	15 545	26	14 346	11 446	9 770
Income from operations after credit impairments	R'm	**27 318**	23 422	17	23 454	15 180	16 657
Operating expenses	R'm	**(13 941)**	(11 877)	17	(12 555)	(9 463)	(8 612)
Share of net profit/(loss) of associates and joint ventures	R'm	**71**	98	(28)	36	(7)	11
Impairment of investments	R'm	**—**	—		—	(122)	—
Operating profit before tax	R'm	**13 448**	11 643	16	10 935	5 588	8 056
Income tax expense	R'm	**(2 881)**	(2 492)	16	(2 408)	(1 130)	(1 805)
Profit for the year	R'm	**10 567**	9 151	15	8 527	4 458	6 251
Preference dividend	R'm	**(5)**	(4)	25	(3)	(4)	(7)
Discount on repurchase of preference shares	R'm	**(1)**	—		(1)	(2)	(1)
Net non-interest income to income from operations after credit impairments	%	**72**	66		61	75	59
Cost-to-income ratio	%	**39**	40		47	41	41
Earnings attributable to ordinary shareholders[5]							
Basic	R'm	**10 561**	9 147	15	8 523	4 452	6 243
Headline	R'm	**10 578**	9 153	16	8 440	4 586	6 277
Earnings per share							
Attributable	cents	**9 156**	7 933	15	7 371	3 850	5 400
Headline	cents	**9 171**	7 938	16	7 300	3 966	5 428
Number of shares for calculation	'000	**115 346**	115 309		115 627	115 627	115 627
Diluted attributable	cents	**9 137**	7 911	15	7 360	3 848	5 391
Diluted headline	cents	**9 152**	7 917	16	7 289	3 963	5 420
Number of shares for calculation	'000	**115 589**	115 617		115 800	115 698	115 800
Dividends per ordinary share							
Interim	cents	**1 530**	1 400	9	1 200	—	755
Final	cents	**3 345**	2 800	19	2 440	1 600	—
Total	cents	**4 875**	4 200	16	3 640	1 600	755
Number of shares for calculation	'000	**116 100**	116 100		116 100	115 627	115 627
Dividend cover	times	**1.9**	1.9		2.0	2.5	7.2
Special dividend	cents	**—**	—		1 500	—	—

[1] *The financial statements have been restated for the adoption of IFRS 17* Insurance Contracts *and related assessments. Refer to note 3 to the financial statements.*

[2] *The percentage changes quoted above are based on figures denominated in R'million.*

[3] *2020 figures include Business bank for the 4 months ended February 2020. Business bank figures for 12 months are included in 2021 to 2024.*

[4] *Net insurance service result for 2022, 2021 and 2020 has not been restated for the adoption of IFRS 17* Insurance Contracts.

[5] *Refer to note 33 to the financial statements for detail regarding the difference between basic and headline earnings.*

		2024	Restated[1] 2023	% change[2] 2024/2023	2022	2021	2020[3]
Assets							
Total assets	R'm	**207 579**	190 636	9	177 943	156 507	134 568
Net loans and advances	R'm	**80 552**	78 168	3	66 549	57 189	62 043
Cash and financial investments[4]	R'm	**105 477**	95 965	10	97 901	84 625	59 439
Other[5]	R'm	**21 550**	16 503	31	13 493	14 693	13 086
Liabilities							
Total liabilities	R'm	**164 048**	152 716	7	142 178	126 592	108 987
Deposits and wholesale funding	R'm	**156 015**	146 498	6	134 458	120 908	103 343
Other	R'm	**8 033**	6 218	29	7 720	5 684	5 644
Equity							
Shareholders' funds (total equity)	R'm	**43 531**	37 920	15	35 765	29 915	25 581
Return on ordinary shareholders' equity	%	**26**	25		26	17	28
Capital adequacy ratio (CAR)	%	**36**	34		36	37	31
Net asset value per ordinary share	cents	**37 611**	32 753	15	30 888	25 824	22 061
Number of shares for calculation	'000	**115 627**	115 627		115 627	115 627	115 627
Share price	cents	**201 777**	175 451	15	207 435	133 875	129 999
Market capitalisation	R'm	**234 263**	203 699	15	240 832	154 796	150 314
Number of shares in issue per the shareholders' register	'000	**116 100**	116 100		116 100	115 627	115 627
Operations							
Branches		**866**	860	1	853	857	864
Employees		**15 747**	15 451	2	14 758	14 672	14 590
Active clients (including POS merchants)[6]	'000	**22 173**	20 105	10	18 104	15 829	13 887
ATMs, DNRs and CNRs[7]		**8 382**	7 898	6	7 178	6 725	5 652
Capital expenditure	R'm	**1 157**	1 163	(1)	863	837	1 403
Transact							
Transaction volumes by channel	'm	**9 891**	8 199	21	5 508	5 463	4 659
Digital	'm	**1 994**	1 641	22	1 095	1 094	795
Card payments	'm	**2 537**	1 949	30	1 092	1 061	1 033
Cash	'm	**580**	562	3	472	472	460
Branches	'm	**33**	47	(30)	48	48	74
System generated	'm	**4 747**	4 000	19	2 801	2 788	2 297
Net transaction and commission, net foreign currency and funeral plan income to income from operations after credit impairments	%	**59**	54		49	62	47
Net transaction and commission, net foreign currency and funeral plan income to operating expenses	%	**117**	106		92	100	91

[1] *The financial statements have been restated for the adoption of IFRS 17* Insurance Contracts *and related assessments. Refer to note 3 to the financial statements.*

[2] *The percentage changes quoted above are based on figures denominated in R'million.*

[3] *2020 figures include Business bank for the 4 months ended February 2020. Business bank figures for 12 months are included in 2021 to 2024.*

[4] *Cash, cash equivalents, money market funds, government bonds, term deposits and other financial investments.*

[5] *Insurance contract assets, other receivables, derivative assets, interest in associates and joint ventures, property, plant and equipment, right-of-use assets, intangible assets including goodwill and deferred income tax asset.*

[6] *Point-of-sale merchants.*

[7] *Automated teller machines, dual note recyclers and coin and note recyclers.*

		2024	Restated[1] 2023	% change[2] 2024/2023	2022	2021	2020[3]
Credit							
Value of total loans advanced	R'm	**124 313**	118 412	5	97 835	78 252	54 758
Retail bank	R'm	**48 459**	52 928	(8)	43 932	29 334	39 116
Business bank	R'm	**75 854**	65 484	16	53 903	48 918	15 642
Loans and advances book							
Gross loans and advances	R'm	**102 991**	97 815	5	84 108	75 026	75 783
Retail bank	R'm	**83 847**	82 297	2	71 214	63 986	65 438
Business bank	R'm	**19 144**	15 518	23	12 894	11 040	10 345
Provision for credit impairments (expected credit losses (ECL))	R'm	**(22 439)**	(19 647)	14	(17 559)	(17 837)	(13 740)
Retail bank	R'm	**(21 359)**	(18 806)	14	(16 776)	(17 184)	(13 425)
Business bank	R'm	**(1 080)**	(841)	28	(783)	(653)	(315)
Net loans and advances	R'm	**80 552**	78 168	3	66 549	57 189	62 043
Retail bank	R'm	**62 488**	63 491	(2)	54 438	46 802	52 013
Business bank	R'm	**18 064**	14 677	23	12 111	10 387	10 030
Net credit impairment charge on loans and advances[4]	R'm	**8 740**	6 334	38	3 468	7 765	4 474
Gross credit impairment charge on loans and advances	R'm	**9 341**	7 041	33	4 286	8 697	5 738
Bad debts recovered	R'm	**(601)**	(707)	(15)	(818)	(932)	(1 264)
Net credit impairment charge on loans and advances to average gross loans and advances (credit loss ratio)	%	**8.7**	7.0		4.4	10.3	6.3
Retail bank	%	**10.1**	8.0		4.9	11.4	7.2
Business bank	%	**1.9**	1.5		1.5	3.8	1.1
Total lending and credit life insurance income[5]	R'm	**21 279**	18 545	15	15 756	15 335	15 513
Retail bank	R'm	**19 160**	17 123	12	14 819	14 461	15 152
Business bank	R'm	**2 119**	1 422	49	937	874	361
Net credit impairment charge on loans and advances to total lending and credit life insurance income[5]	%	**41.1**	34.2		22.0	50.6	28.8
Retail bank	%	**43.9**	35.8		22.2	50.9	28.8
Business bank	%	**15.2**	14.6		18.8	46.3	31.6
Retail deposits and wholesale funding							
Retail deposits and wholesale funding	R'm	**156 015**	146 498	6	134 458	120 908	103 343
Wholesale funding	R'm	**3 021**	2 439	24	2 060	2 376	3 694
Retail call savings	R'm	**102 269**	96 252	6	89 167	78 113	62 582
Retail fixed savings	R'm	**49 530**	46 533	6	41 928	39 176	36 183
Foreign currency deposits	R'm	**1 195**	1 274	(6)	1 303	1 243	884

[1] *The financial statements have been restated for the adoption of IFRS 17* Insurance Contracts *and related assessments. Refer to note 3 to the financial statements.*

[2] *The percentage changes quoted above are based on figures denominated in R'million.*

[3] *2020 figures include Business bank for the 4 months ended February 2020. Business bank figures for 12 months are included in 2021 to 2024.*

[4] *This charge is for loans and advances only. The income statement charge for the reporting period includes a release of R14.7 million (2023: release of R4.3 million; 2022: expense of R39.6 million; 2021: expense of R59.9 million) related to other financial assets.*

[5] *Interest received on loans, initiation fees, monthly service fees and net credit life insurance income.*

Chairman's and chief executive officer's report

Evolution into a diversified financial services group

Our focus during the past 3 years has been on growth and investment for the future. Our investment has created a diversified financial services group that offers innovative personal and business banking, value added services (VAS), insurance, a prepaid mobile service, secure payment solutions and the Live Better rewards programme.

Our long-term strategy to diversify our income streams and grow quality clients produced double-digit growth in a financial year where external economic events placed pressure on our credit business. Non-interest income made a significant contribution to the 16% growth in headline earnings for the 2024 financial year and increased to 72% of income from operations after credit impairments (2023: 66%).

The diversification of the Retail bank driven by the introduction of new products yielded positive results in 2024. Retail bank active clients grew to 22.0 million (2023: 19.9 million), 11.2 million of whom use the banking app (2023: 9.4 million). Fully banked clients, who perform more transactions and therefore contribute more to income, increased to 7.8 million from 6.9 million in 2023. The number of clients using our value-added services (VAS) grew by 17% to 9.8 million, contributing to an increase in income from VAS. A total of 4.6 million unique digital clients utilised Capitec Pay and more than 500 000 clients made use of ApplePay, GarminPay, GooglePay and SamsungPay. Agile, proactive and conservative management of credit granting resulted in more recent tranches performing better.

The Business bank strives to offer accessible digitally-led, relationship-based business banking to businesses in South Africa. We offer 1 solution for small- and medium-sized entities (SMEs) that is simple to use and transparent, at the most affordable price with a focus on the client experience. It was relaunched as Capitec Business in the 2024 financial year and now offers the GlobalBiz account (the Business bank equivalent of the GlobalOne account). Part of the rebrand is a repricing of business banking fees to align to the wider Capitec strategy of offering a world-class service at an affordable price. The new fees for the 2025 financial year are aligned to the Retail bank's fees.

Our Insurance business is in an implementation and building phase. We obtained our own long-term insurance licence during the 2023 financial year and began issuing credit life insurance policies in May 2023. By the end of February 2024, we had 558 417 active policies issued using our own bespoke system. We are also in the process of transferring the policies of our credit life cell captive to our own insurance licence. Our cooperation arrangement with Sanlam that operates through the funeral cell captive terminates on 31 October 2024 and we will begin issuing funeral policies on our own licence from 1 November 2024.

We will continue to invest in the future to exceed our clients' expectations.

The drivers of our double-digit growth

Headline earnings grew to R10.6 billion from the restated headline earnings of R9.2 billion for the comparative period[1]. Headline earnings for the 6 months ended February 2024 (H2 2024) grew by 25% to R5.9 billion compared to the headline earnings of R4.7 billion for the 6 months ended August 2023 (H1 2024).

[1] *Shareholders were informed in a Stock Exchange News Service (SENS) announcement published on 4 July 2023 that the group had implemented the IFRS 17* Insurance Contracts *standard on 1 March 2023. IFRS 17 replaced IFRS 4* Insurance Contracts *for annual periods beginning on or after 1 January 2023. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts issued, reinsurance contracts held and in-substance reinsurance contracts issued through its cell captive arrangements. The implementation of IFRS 17 necessitated the restatement of the group earnings and headline earnings per share for the previous financial year. Any adjustments to the carrying amounts of assets or liabilities prior to the 2023 financial year were recognised as an adjustment to retained earnings on 1 March 2022.*

Chairman's and chief executive officer's report continued

Net transaction and commission income grew by 29% year-on-year to R14.8 billion (2023: R11.5 billion) and contributed R675 million after tax to the R1.2 billion increase in headline earnings for H2 2024 compared to H1 2024. Income from VAS contributed 52% of the increase in group transaction and commission income after tax from H1 2024 to H2 2024 as these services were rapidly adopted by our clients. Digital and POS transactions grew by 27% due to client behaviour that continued to shift away from branch and cash transacting to the digital and card-based payment channels.

Net interest income grew by 16% to R16.5 billion from R14.2 billion in 2023 and by 5% in H2 2024 compared to H1 2024. It contributed R312 million after tax to the growth in headline earnings during H2 2024 compared to H1 2024. Yields as well as net interest-bearing assets grew. The yield on the loan book and investment portfolio increased based on the 100 basis point increase in the repo rate in 2024 and the annuity impact of the 325 basis point increase in 2023. Net interest-bearing assets grew by 9%.

The net insurance result grew by 18% to R3.2 billion from R2.7 billion for the restated comparative period. Income for H2 2024 exceeded income for H1 2024 by R82 million. Funeral insurance income grew by 27% to R1.3 billion (2023: R1.0 billion), while credit life insurance income increased by 13% to R1.9 billion from R1.7 billion in 2023.

Ordinary dividends declared

The board approved a final gross dividend of 3 345 cents per ordinary share (2023: 2 800 cents), bringing the total dividend for the 2024 financial year to 4 875 cents per share (2023: 4 200 cents). Post the distribution, the group's capital ratios will remain healthy and this will position us well for the future.

The future

At Capitec, we've always believed in pushing boundaries, challenging norms and constantly evolving to meet the ever-changing needs of our clients. Better never rests is a promise that underscores our unwavering commitment to excellence, constant improvement and forward momentum.

The group will remain future-focused and will build on the initiatives that have already been undertaken. Capitec has become a data company with 22.2 million clients. We have almost 2 trillion data points that will continue to be used in the future to exceed our clients' expectations and create value beyond banking.

As at 29 February 2024, our active client base comprised 36% of South Africa's total population (2023: 33%), and we had a footprint of 866 branches and 8 382 ATMs and DNRs throughout South Africa.

The group has 3 businesses: Retail bank, Business bank and the Insurance business. A strategic initiatives team completes the ecosystem.

Retail bank client optimisation

Capitec retail banking will focus on optimisation in all areas of its business during the 2025 financial year.

Capitec is the biggest digital bank in South Africa and maintains a branch network of 846 branches. These distribution channels will be optimised by encouraging clients to use the banking app or self-service terminals for transacting. The branches will increasingly focus on the 1-to-1 interactions with clients that present selling opportunities. During the 2024 financial year, our branches were visited 78.5 million times and the number of consultant interactions totalled 38.7 million.

Our client base will be optimised by expanding and diversifying our VAS with offerings that meet our clients' needs. For example, a vehicle licence disk renewal service was launched during the last week of February 2024. Our clients can now renew their vehicle licence on our app and have the disc delivered within 3 to 5 working days. Clients are charged a fixed service and delivery fee regardless of the number of disc renewals in the transaction. Our purpose is to protect and grow our active client base.

The new payment channels that were launched during the past 2 years will encourage clients to move from cash to electronic transacting. This will provide us with more data on our clients' financial behaviour. This data will be used to identify client needs and optimise credit granting. It will also allow us to continue to be agile in managing credit.

Business bank rebranding implementation

Capitec business banking has been rebranded and our new GlobalBiz account was launched on 1 March 2024 with a revised pricing structure similar to that of our personal banking. We will offer SMEs private banking at scale.

During the 2025 financial year, our new platform will be used to expand digital capabilities for our clients. We aim to be digitally-led with relationship-based solutions for our clients. We will also begin exploring opportunities in the less formal domestic economy.

We are in the process of implementing a new business model for our merchant services business. Merchants will acquire an affordable POS device instead of renting the device. The commission structure has also been amended.

Building the insurance business

The building of Capitec's insurance business will continue. During the 2025 financial year, we will add life cover to our insurance product offering. The transfer of the credit life insurance policies from the Guardrisk cell captive to Capitec Life is expected to be completed in the second half of the 2025 financial year and from November 2024, we expect to write funeral policies on our own insurance licence.

Internationalisation

On 11 March 2024, the South African Reserve Bank (SARB) approved a transaction in which Capitec will increase its shareholding in Avafin Holdings Limited (Avafin), an international online consumer lending group, from 40.66% to 97.69% at a purchase price of EUR26.3 million. Avafin management will continue to hold the residual interest in the business, in line with Capitec's philosophy of management ownership. By 15 April 2024 all the required regulatory approvals for the transaction had been obtained.

Avafin provides online consumer loan products in several countries, including Poland, Latvia, Spain, the Czech Republic and Mexico. The key reasons for acquiring the controlling interest in Avafin are the strong culture fit, geographical diversification and an excellent management team. Avafin is closely aligned with our client-centric retail business philosophy and is well positioned for growth.

Our commitment to environmental, social and governance (ESG) principles

We are committed to minimising any negative impacts emanating from our business activities and therefore consider climate- and nature-related risks and opportunities as part of our core business strategy.

During 2024, we improved our sustainability-related public disclosure by launching a dedicated page on the Capitec website where related policies can be viewed.

To start our journey towards science-based target-setting, we continued to improve and standardise our carbon accounting practices and processes during the year, ensuring that the underlying data is accurate and complete. We also expanded on our Scope 3 emissions data. This is evident in our greenhouse gas (GHG) inventory in the Protecting our planet section of this report.

In 2025, we will endeavour to mature our carbon accounting practices and processes further, with a specific focus on Scope 3 financed emissions, so that we can start setting meaningful science-based targets and draft an actionable transition plan to align our goals with those agreed in the Paris Agreement.

Our people

The 2024 financial year was the year of our people. Providing an exceptional employee experience is no longer considered a perk, it fuels a thriving culture and propels organisational success. It turns employees into passionate advocates who drive innovation, productivity and ultimately results.

We believe that investment in exceptional employee experiences (in the way we attract, hire, onboard, develop, recognise and reward people) is pivotal for sustaining organisational success in the long run.

During the 2024 financial year, we listened to our people. They shared their thoughts, and we paid attention. The insights we gained became the cornerstone of the initiatives that we set out in our people strategy, which is directed towards fostering a culture that prioritises growth and development, ensures a sense of value and recognition and enables our people to own their well-being.

Read more on our strategies in 'The year of our people' section of this report.

Governance

We welcome Naidene Ford-Hoon and Nadya Bhettay who were appointed as non-executive directors to the board effective 7 September 2023.

We would like to thank Jean Pierre Verster, who will retire from the board on 31 May 2024, for his contribution to Capitec's success during the past 9 years.

Appreciation

Thank you to our employees for their continued commitment to building Capitec as the best financial services brand in the world.

Santie Botha
Chairman

Gerrie Fourie
Chief executive officer

Stellenbosch
22 April 2024

Chief financial officer's report

Double-digit growth

In the 2024 financial year, tough economic conditions continued to put pressure on South African consumers and businesses. Our client-centric approach and focus on innovation, however, led to double-digit growth in retail and business banking as well as in our Insurance business.

Headline earnings increased by 16% to R10.6 billion (2023 restated: R9.2 billion) and return on equity (ROE) was 26% (2023 restated: 25%).

Financial performance

Retail bank

Retail bank profit after tax increased by 17% to R7.1 billion (2023: R6.0 billion). The drivers of the increase are detailed below.

Net interest income

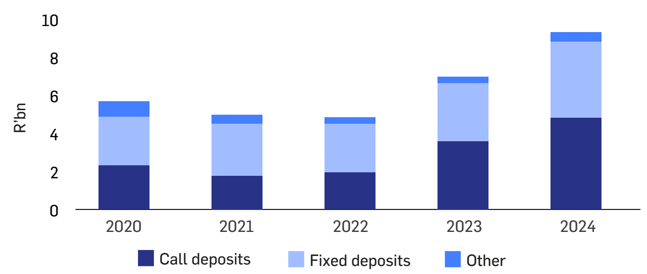
Net interest income grew by 13% from R13.2 billion to R14.9 billion. The growth was attributable to an increase of 425 basis points in the repo rate in the 2023 and 2024 financial years, an increase in the proportion of the gross loan book that comprised variable interest rate-linked balances, and the growth in the cash and financial investment portfolio.

Interest income on lending increased by 12% to R16.1 billion (2023: R14.4 billion). The repo rate increases combined with a greater proportion of the gross loans and advances being variable interest rate-linked increased the average yield on the loan book. As at 29 February 2024, the variable interest rate-linked book comprised 42% (2023: 39%) of gross loans and advances. Interest income on lending amounted to R8.0 billion for H1 2024 and R8.1 billion for H2 2024.

Interest income on investments and other financial instruments grew by 40% from R5.4 billion to R7.6 billion. The average investment portfolio grew by 6.0% year-on-year. The yield on the portfolio increased due to the higher repo rates in 2024 although the composition of the portfolio means that it takes longer to reprice than the deposit book which is principally call deposits. The income of R4.0 billion for H2 2024 exceeded the income for H1 2024 by R0.4 billion as the average portfolio grew.

The interest expense on deposits and wholesale funding increased by 32% to R8.8 billion (2023: R6.6 billion). The growth was driven by the 6% growth in deposits and wholesale funding and the repo rate increases. The deposit and wholesale funding book grew to R137.7 billion at the end of February 2024 (2023: R128.6 billion). We changed our pricing tiers and still paid R4.1 billion on call savings accounts (2023: R3.1 billion) to our clients. The total interest expense of R4.2 billion for H1 2024 increased to R4.6 billion in H2 2024 as deposits and wholesale funding grew.

Interest expense by nature



Net transaction income and commission

Net transaction and commission income including VAS income produced double-digit growth of 30% and grew to R13.9 billion for 2024 (2023: R10.7 billion). The growth in income was attributable to transaction volumes which grew by 21% to 9.6 billion (2023: 8.0 billion). Growth in client numbers and client adoption of our VAS and new payment services contributed to the increase in volumes.

From cash and branch transacting to card and digital transacting

Our long-term strategy to move clients away from cash transacting to card and digital transacting continued to yield positive results. Digital transaction volumes increased by 22% to 2.0 billion (2023: 1.6 billion). The banking app represented 84% of all digital transactions (2023: 68%). Active banking app users grew to 11.2 million (2023: 9.4 million) and transaction volumes grew by 49% from 1.1 billion to 1.7 billion. Card payment volumes grew by 32% from 1.8 billion in 2023 to 2.4 billion in 2024. Income was affected by a decrease in the average transaction value, based on which interchange is calculated, from 2023 to 2024 (2024: R255.50; 2023: R269.50).

Cash-related transaction volumes grew by a muted 3% to 580 million (2023: 562 million). Although many clients are embracing digital banking, there are still clients that are reliant on cash. The ratio of cash transactions to total transaction volumes decreased to 12% (2023: 14%). Cash withdrawals at Capitec devices grew by 5% because of the installation of lithium batteries on our devices which combated load shedding and improved device uptime.

The volume of branch transactions decreased by 30% to 33 million (2023: 47 million). Transactions at consultant terminals decreased by 46% as transactions migrated to the banking app and self-service terminals. The branches will increasingly focus on the 1-to-1 interactions with clients that present selling opportunities.

Value-added services

VAS transaction volumes grew by 30% year-on-year to 1.1 billion (2023: 0.9 billion) and the number of clients using VAS increased by 17% to 9.8 million (2023: 8.4 million).

Net transaction and commission income from VAS, which includes Send Cash payments, prepaid purchases of electricity, data and airtime, national lottery ticket purchases, bill payments and voucher purchases, grew by 75% to R2.7 billion (2023: R1.6 billion). The net transaction and commission income for the 2024 financial year included the first full year of income for the VAS products launched during the 2023 financial year, and growth was exponential. VAS products contributed 19% of the total net transaction and commission income.

Payments

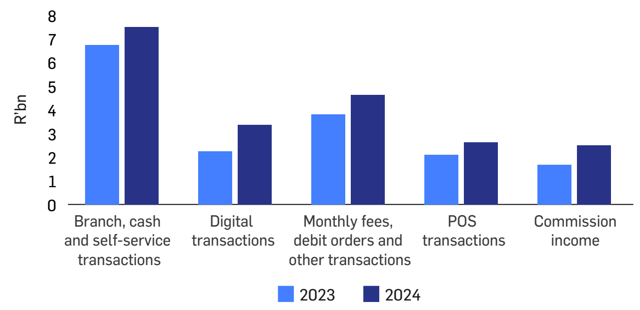
Card payment income grew by 15% to R1.5 billion (2023: R1.3 billion) while volumes increased by 32% to 2.4 billion (2023: 1.8 billion). Capitec Pay, launched in early 2023, is a digital payment solution that allows clients to make safe and secure online payments using their cellphone number. Capitec Pay removes the need to share sensitive bank login credentials or card information. A total of 134 million payments with a value of R26.7 billion have been processed.

PayShap, a low-cost, immediate, digital payments solution that reduces the risks associated with cash usage, was launched in August 2023. At the end of February 2024, we had 1.7 million main-banked registrations and were the largest receiving bank with a 59% market share of all PayShap payments processed in the market.

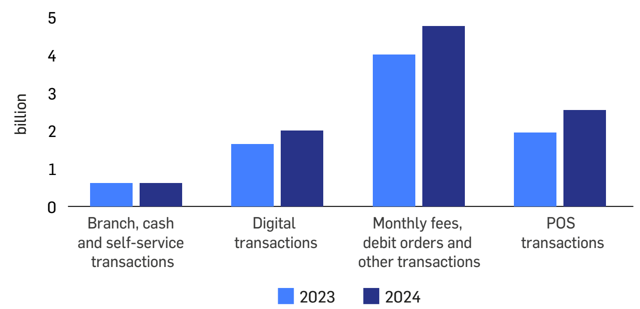
Live Better

The Live Better programme rewards clients for transacting with their debit and credit cards instead of cash. A total of 19.7 million clients are registered for the Live Better programme, 90% of our total active clients. Qualifying participants received R375 million cash back during the year (2023: R256 million). They also received Spend Better cash back rewards in the amount of R166 million (2023: R106 million) from our rewards partners.

Transaction income per category



Transaction volumes per category



Credit impairment charge

The net credit impairment charge on gross loans and advances increased by 37% to R8.4 billion (2023: R6.1 billion). The credit loss ratio was 10.1% compared to 8.0% for 2023. The H1 2024 annualised credit loss ratio was 11.0%, which improved to 9.2% annualised for H2 2024.

For the past 2 years, we have been building a higher-quality loan book that will perform better than the older tranches of business that have migrated through stages 2 and 3 and into default during the 2023 and 2024 financial years.

Chief financial officer's report continued

In November 2021, we relaxed credit granting criteria for certain pockets of clients that had begun showing recovery after the COVID-19 pandemic. This led to book growth, particularly in the access facility book. Due to the impact of the negative economic conditions after February 2022, when the war in Ukraine began, we started tightening credit granting criteria in June 2022 and continued to do so for the remainder of the 2023 financial year. We adjusted access facility limits down by R3.5 billion during H2 2023. By the end of February 2023, there had been an increase in clients going into debt review and rolling into arrears and default. The stage 3 loan book had grown to R18.5 billion from R13.9 billion at the end of February 2022.

The credit granting criteria for all retail products were tightened further during the 2024 financial year. Income to instalment criteria were made stricter and the average term offered decreased. A total of 141 unique granting changes were made in 2024. Net loan sales and disbursements for 2024 were R48.5 billion, a decrease of 8% compared to 2023 net loan sales of R52.9 billion.

Loan sales by product are detailed in the table below.

	6 months ended		Full year ended	6 months ended		Full year ended
	February 2024	August 2023	February 2024	February 2023	August 2022	February 2023
R'm	H2 2024	H1 2024	FY 2024	H2 2023	H1 2023	FY 2023
Term loans	9 655	8 937	**18 592**	9 239	10 377	19 616
Access facilities	5 236	7 325	**12 561**	9 969	9 852	19 821
Credit cards	9 343	7 963	**17 306**	7 192	6 299	13 491
Total	24 234	24 225	**48 459**	26 400	26 528	52 928

Access facility disbursements decreased by 37% compared to 2023. Total new limits granted decreased to R5.6 billion from R18.7 billion in 2023. During 2024, the short-term access facilities were discontinued, and the limits of existing facility holders were adjusted downwards by more than R3.0 billion. Cutbacks were also implemented based on stricter affordability criteria. Limits granted for H1 2024 amounted to R3.8 billion. Disbursements decreased further during H2 2024 as only clients that met stricter affordability criteria could draw down on their facilities. Limits granted for H2 2024 were R1.8 billion.

Credit card disbursements increased by 28% to R17.3 billion (2023: R13.5 billion) as the lower-risk clients that qualify for credit card limits were not impacted as severely by the stricter credit granting criteria as other clients.

The credit impairment charge for 2024 reflected the continued migration of the pre-June 2022 loan book to stages 2 and 3. The total migration of balances into default for the 2024 financial year amounted to R12.8 billion, with R4.1 billion relating to clients that went into debt review (2023: R3.5 billion). The remaining roll into default of R8.7 billion comprises balances that are subject to collection activities and do not meet the write-off requirements (2023: R7.0 billion). The migration into debt review in H2 2024 was R303 million lower than in H1 2024 and contributed to the credit impairment charge for H2 2024 being R643 million lower than the charge for H1 2024.

Our monitoring data indicates that the tranches of loan sales after June 2022 are performing better than the pre-June 2022 tranches.

The forward-looking macroeconomic information provision decreased by R373 million because of a higher backward-looking provision and a more positive outlook on the economy going forward. To capture the effects of changes to the economic environment in the future, the forward-looking model for Retail bank considers economic variables specific to South Africa that directly impact the group's clients. 3 forward-looking scenarios supplied by the Bureau for Economic Research (BER) are incorporated into the range of reasonably possible outcomes (negative, positive and baseline scenarios). Based on these scenarios, the forward-looking macroeconomic provision requirement decreased from R753 million in 2023 to R380 million in 2024 (August 2023: R674 million).

Loans and advances

The Retail bank's gross loans and advances increased by 2% to R83.8 billion (2023: R82.3 billion) and the provision for ECL grew from R18.8 billion to R21.4 billion.

The trend in the composition of the loan book since August 2022 in the table that follows illustrates the incremental impact of the macroeconomy and the decrease in loan disbursements on the gross loan book.

	As at the end of			
%	February 2024	August 2023	February 2023	August 2022
Stage 1	**58**	58	62	63
Stage 2	**15**	17	15	16
Stage 3	**27**	25	23	21

The stage 3 loan book grew by R3.9 billion to R22.3 billion at the end of February 2024 (2023: R18.5 billion). Arrears contributed R223 million to the growth, up-to-date reschedules that have not rehabilitated contributed R717 million and the default book contributed R2.7 billion. The default book at the end of February 2024 comprised R6.0 billion in debt review balances and R10.5 billion in balances more than 3 months in arrears or with other legal statuses which do not qualify for write-off. A total of R2.1 billion was collected on these balances in default during the financial year (2023: R1.7 billion).

The stage 2 loan book decreased from R13.5 billion at the end of the 2023 financial year to R12.9 billion primarily because balances migrated to stage 3 but also because the migration from stage 1 to stage 2 slowed during H2 2024.

The coverage ratios by stage are analysed in the table below.

	As at the end of			
%	February 2024	August 2023	February 2023	August 2022
Stage 1	**7.4**	7.5	7.2	9.9
Stage 2	**27.1**	26.2	26.2	24.8
Stage 3	**63.8**	63.7	63.0	64.4
Total	**25.5**	24.9	22.9	23.5

The total coverage ratio increased from 22.9% at the end of February 2023 to 25.5% at the end of February 2024.

The change in book distribution and provision percentages by loan book category increased the coverage ratio by 3.5%. The provision percentages applied to the loan book categories also increased in 2024 because the probabilities of default used in the calculations are at their highest level in the cycle. Model refinements to backward-looking models decreased the coverage ratio by 0.5%. The recovery given default model was updated and now utilises historical data for a longer period. Changes to the access facility model were implemented because the product has matured, and more data is now available. The credit card model was amended to use only credit card data now that sufficient data is available. The more positive forward-looking macroeconomic information decreased the ratio by 0.4%.

The overall coverage of the term loan book increased from 24.4% for 2023 to 26.6% for 2024. The coverage of up-to-date loans with significant increases in credit risk (SICR) since initial recognition increased from 16.9% to 19.0% due to the deterioration of the loan book. The more than 3 months in arrears, legal statuses and applied for debt review less than 6 months ago loan category coverage increased from 72.2% to 74.2%. The increase was attributable to deterioration in the default book quality, specifically driven by a higher distribution towards the book held back and not handed over which has a lower yield than the debt review book. Refinement of the backward-looking model resulted in an additional provision of R129 million.

The overall coverage of the access facility book increased from 21.0% to 26.6%. This increase was mainly due to book deterioration. As the access facility matures more data becomes available for use in the ECL model and in 2024 this enabled us to refine the model.

The overall credit card coverage ratio decreased from 18.5% to 16.7%. In 2024, we had enough credit card data available to create a credit card-specific recoveries model. Credit card recoveries show better performance and therefore this resulted in a decrease in the coverage ratios for all credit card product loan book categories. The decreases were partially offset by increases in the coverage ratios due to deterioration in the quality of the book.

The split of the retail loan book by stage and category is reflected below.

R'm	Stage 1 12-month ECL	Stage 2 Lifetime ECL		Stage 3 Lifetime ECL				
	Up-to-date	Up-to-date loans with SICR and applied for debt review >6 months	Up to 1 month in arrears	2 and 3 months in arrears	Rescheduled from up-to-date (not yet rehabilitated)	Rescheduled from arrears (not yet rehabilitated)	More than 3 months in arrears, legal statuses and applied for debt review <6 months	Total
Balance as at 29 February 2024								
Gross loans and advances	**48 583**	**11 370**	**1 575**	**2 425**	**2 249**	**2 300**	**15 345**	**83 847**
Term loan	**25 831**	**6 644**	**876**	**1 573**	**1 632**	**1 800**	**10 045**	**48 401**
Access facility	**15 506**	**3 988**	**451**	**687**	**617**	**500**	**4 067**	**25 816**
Credit card	**7 246**	**738**	**248**	**165**	**—**	**—**	**1 233**	**9 630**
Provision for credit impairments (ECL)[1]	**(3 605)**	**(2 705)**	**(805)**	**(1 624)**	**(659)**	**(665)**	**(11 296)**	**(21 359)**
Term loan	**(1 648)**	**(1 261)**	**(434)**	**(1 124)**	**(483)**	**(490)**	**(7 452)**	**(12 892)**
Access facility	**(1 545)**	**(1 247)**	**(273)**	**(419)**	**(176)**	**(175)**	**(3 022)**	**(6 857)**
Credit card	**(412)**	**(197)**	**(98)**	**(81)**	**—**	**—**	**(822)**	**(1 610)**
Net loans and advances	**44 978**	**8 665**	**770**	**801**	**1 590**	**1 635**	**4 049**	**62 488**
Term loan	**24 183**	**5 383**	**442**	**449**	**1 149**	**1 310**	**2 593**	**35 509**
Access facility	**13 961**	**2 741**	**178**	**268**	**441**	**325**	**1 045**	**18 959**
Credit card	**6 834**	**541**	**150**	**84**	**—**	**—**	**411**	**8 020**
ECL coverage (%)	**7.4**	**23.8**	**51.1**	**67.0**	**29.3**	**28.9**	**73.6**	**25.5**
Term loan	**6.4**	**19.0**	**49.5**	**71.5**	**29.6**	**27.2**	**74.2**	**26.6**
Access facility	**10.0**	**31.3**	**60.5**	**61.0**	**28.5**	**35.0**	**74.3**	**26.6**
Credit card	**5.7**	**26.7**	**39.5**	**49.1**	**—**	**—**	**66.7**	**16.7**
% of gross loan book	**58**	**13**	**2**	**3**	**3**	**3**	**18**	**100**
Term loan	**31**	**8**	**1**	**2**	**2**	**2**	**12**	**58**
Access facility	**18**	**4**	**1**	**1**	**1**	**1**	**5**	**31**
Credit card	**9**	**1**	**—**	**—**	**—**	**—**	**1**	**11**
Balance as at 28 February 2023								
Gross loans and advances	50 320	11 754	1 764	2 202	1 917	1 915	12 425	82 297
Term loan	27 836	7 269	1 032	1 589	1 515	1 653	9 213	50 107
Access facility	16 599	3 866	554	485	402	262	2 291	24 459
Credit card	5 885	619	178	128	—	—	921	7 731
Provision for credit impairments (ECL)[1]	(3 634)	(2 687)	(851)	(1 493)	(584)	(527)	(9 030)	(18 806)
Term loan	(1 855)	(1 231)	(498)	(1 103)	(452)	(441)	(6 649)	(12 229)
Access facility	(1 385)	(1 276)	(276)	(317)	(132)	(86)	(1 675)	(5 147)
Credit card	(394)	(180)	(77)	(73)	—	—	(706)	(1 430)
Net loans and advances	46 686	9 067	913	709	1 333	1 388	3 395	63 491
Term loan	25 981	6 038	534	486	1 063	1 212	2 564	37 878
Access facility	15 214	2 590	278	168	270	176	616	19 312
Credit card	5 491	439	101	55	—	—	215	6 301
ECL coverage (%)	7.2	22.9	48.2	67.8	30.5	27.5	72.7	22.9
Term loan	6.7	16.9	48.3	69.4	29.8	26.7	72.2	24.4
Access facility	8.3	33.0	49.8	65.4	32.8	32.8	73.1	21.0
Credit card	6.7	29.1	43.3	57.0	—	—	76.7	18.5
% of gross loan book	62	14	2	3	2	2	15	100
Term loan	34	9	1	2	2	2	11	61
Access facility	21	4	1	1	—	—	3	30
Credit card	7	1	—	—	—	—	1	9

[1] *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.*

The forward-looking SICR loan balances that form part of the stage 2 up-to-date loans with SICR were negative for all products by a total amount of R505 million. This is because the balances included in backward-looking SICR are expected to decrease during the coming 12 months based on the macroeconomic forecast used to calculate the forward-looking macroeconomic information provision.

Insurance

Insurance profit after tax increased by 12.0% to R3.0 billion (2023: R2.7 billion). The drivers of the increase are detailed below.

Net credit life insurance income

The net credit life insurance result increased by 13% to R1.9 billion (2023: R1.7 billion). The credit life insurance average sum assured increased by 3% to R75.2 billion (2023: R73.2 billion).

Growth in the insured book accounted for R36 million of the growth in the net credit life insurance result. The total claims incurred increased by 3%, resulting in a decrease in income of R18 million. Changes in the interest rates used to discount contract fulfilment cash flows added R29 million to income and investment income represented R56 million of the growth in income.

From May 2023, credit life insurance policies were underwritten by Capitec Life on its own long-term insurance licence, while the in-force book in the cell captive began to run off. As at 29 February 2024, we had 58 417 active policies on our own insurance licence. The process to transfer the policies currently underwritten on the Guardrisk licence to the Capitec Life licence has been initiated.

Funeral income

The net funeral insurance result increased by 27% to R1.3 billion (2023: R1.0 billion). The robust performance is attributable to the product's all-inclusive offering and affordability. The total funeral book increased from 2.2 million policies at the end of February 2023 to 2.7 million policies at the end of February 2024. Currently, 12.1 million (2023: 9.9 million) lives are covered by our funeral product.

The cumulative effect of book growth contributed R305 million to the growth in the net funeral plan result. Average premium collection rates decreased slightly from 89% for 2023 to 88% for 2024, decreasing the result by R40 million. The average claims ratio for the year was 45% (2023: 42%). The increase in the average claims ratio decreased the result by R92 million. Changes in the interest rates used to discount contract fulfilment cash flows added R20 million to the result. The investment portfolio held in the cell captive grew substantially during the period, and investment income represented R116 million of the growth in the result.

Capitec gave notice to Sanlam of the termination of the funeral product cooperation arrangement, effective 31 October 2024. As a result of the termination, a reinsurance recapture amount of R1.9 billion will be incurred. The transaction will not have a profit or loss impact on the transaction date.

Business bank

Business bank profit after tax increased by 23% to R478 million (2023: R388 million). The drivers of the increase are detailed below.

During the 2024 financial year, the Business bank implemented a new online banking platform, introduced a single Capitec app for business and personal banking, changed the platform for its systems and implemented cloud-based software such as Salesforce and nCino.

Net interest income

The division's net interest income grew from R1.0 billion to R1.5 billion. The 50% growth was due to the higher average interest-bearing assets and an increase in the net interest margin.

Interest income on lending increased by 49% to R2.1 billion (2023: R1.4 billion). The growth was attributable to the 23% growth in the gross loan book combined with the 100 basis point increase in the repo rate which resulted in a higher average yield on the business and mortgage loan books for the reporting period.

Interest income on investments and other financial instruments grew by R135 million from R402 million to R536 million. The growth was driven by the 13% increase in the average investment portfolio and an increase in the average yield.

The interest expense on deposits increased by 41% to R1.2 billion (2023: R821 million). As at 29 February 2024, the Business bank deposits were R18.4 billion (February 2023: R18.2 billion). Repo rate increases contributed to the interest expense growth being more than the deposit book growth.

Net transaction and commission income

The Business bank's net transaction and commission income increased by 8% to R855 million (2023: R795 million) supported by a 16% increase in transaction volumes. This was offset by a change in the merchant services business model which saw POS device rentals being replaced by the once-off purchase of affordable POS devices and a reduction in merchant commission rates.

The Capitec payment services volumes and income grew by 23% to 119 million and R271 million, respectively. Debit order volumes grew in excess of 100%, while income grew by 30%. Transfer fees on transactions from Capitec accounts to other banks saw a volume increase of 18% which resulted in income growth of 71% to R44 million (2023: R26 million).

Net foreign currency income contributed R161 million to net non-interest income (2023: R162 million).

Credit impairment charge

Business bank loans comprise business loans (including rental finance) and mortgage loans. The net credit impairment charge on Business bank loans and advances increased by 55% to R322 million (2023: R208 million). Gross loan balances increased by 23% from R15.5 billion to R19.1 billion. The coverage ratio increased from 5.4% to 5.6% resulting in an ECL provision balance of R1.1 billion (2023: R0.8 billion) as the gross loan book shifted to stages 2 and 3.

The rental finance (instalment sales agreements) credit impairment charge amounted to R107 million (2023: R74 million). We saw continued strain in the rental finance loan book from the second half of the 2023 financial year due to the increases in the repo rate. This led to a pullback in granting during the reporting period resulting in a decrease in sales. Sales for the year amounted to R732 million (2023: R825 million). Business banking's credit impairment charge on mortgage and business loans (excluding rental finance) grew from R134 million to R215 million due to growth in the loan book and changes in the composition of the loan book.

New loan sales for the year increased by 16%. Business loans excluding overdrafts but including rental finance grew by 26% to R3.8 billion. Overdraft disbursements grew by 15% while mortgage loan sales grew by 14%. The growth in unsecured business loans and overdrafts was primarily the result of business clients utilising these products to finance working capital requirements.

Loans and advances

The table below details the trend in the coverage ratios.

%	February 2024	August 2023	February 2023	August 2022
Stage 1	**1.6**	1.9	1.7	1.9
Stage 2	**13.4**	13.0	14.6	17.8
Stage 3	**44.1**	43.7	38.7	32.7
Total	**5.6**	6.0	5.4	5.3

The stage 1 book grew by 24% and the coverage ratio decreased to 1.6% (2023: 1.7%). The business loans coverage ratio decreased from 3.2% to 2.7%. Business loans are carrying lower provisions for ECL than a year ago because our forward-looking macroeconomic information model is predicting an improved future default experience on these loans.

The stage 2 book grew by 13% primarily driven by mortgages categorised as showing forward-looking SICR. Higher interest rates continue to put pressure on property owners and their collateral. The decrease in the coverage ratio resulted from business loans rolling from stage 2 to stage 3.

The stage 3 gross loan book grew by 27% and the coverage ratio increased by 5% illustrating the continued economic pressure on SMEs. The increase in the coverage ratio was due to business loans comprising a greater proportion of the stage 3 loan book. Mortgage loans are secured against property and therefore carry a lower coverage ratio.

The split of the Business bank loan book by stage and category is reflected below.

	Stage 1 12-month ECL		Stage 2 Lifetime ECL				Stage 3 Lifetime ECL	
R'm	Up-to-date	Up to 1 month in arrears	Up-to-date loans SICR	2 and 3 months in arrears	Rescheduled from up-to-date (not yet rehabilitated)	Rescheduled from arrears (not yet rehabilitated)	More than 3 months in arrears, legal statuses and applied for business rescue liquidations <6 months	Total
Balance as at 29 February 2024								
Gross loans and advances	**16 153**	**183**	**835**	**174**	**290**	**77**	**1 432**	**19 144**
Business loans	**8 061**	**79**	**395**	**67**	**236**	**9**	**683**	**9 530**
Mortgage loans	**8 092**	**104**	**440**	**107**	**54**	**68**	**749**	**9 614**
Provision for credit impairments (ECL)(1)(2)	**(260)**	**(4)**	**(138)**	**(23)**	**(17)**	**(7)**	**(631)**	**(1 080)**
Business loans	**(216)**	**(2)**	**(106)**	**(15)**	**(13)**	**(2)**	**(439)**	**(793)**
Mortgage loans	**(44)**	**(2)**	**(32)**	**(8)**	**(4)**	**(5)**	**(192)**	**(287)**
Net loans and advances	**15 893**	**179**	**697**	**151**	**273**	**70**	**801**	**18 064**
Business loans	**7 845**	**77**	**289**	**52**	**223**	**7**	**244**	**8 737**
Mortgage loans	**8 048**	**102**	**408**	**99**	**50**	**63**	**557**	**9 327**
ECL coverage (%)(3)	**1.6**	**2.4**	**16.5**	**13.6**	**5.8**	**8.8**	**44.1**	**5.6**
Business loans	**2.7**	**3.1**	**26.9**	**22.2**	**5.6**	**24.3**	**64.2**	**8.3**
Mortgage loans	**0.5**	**1.8**	**7.2**	**8.2**	**6.7**	**6.8**	**25.7**	**3.0**
% of gross loan book	**84**	**1**	**4**	**1**	**2**	**—**	**8**	**100**
Business loans	**42**	**—**	**2**	**—**	**2**	**—**	**4**	**50**
Mortgage loans	**42**	**1**	**2**	**1**	**—**	**—**	**4**	**50**
Balance as at 28 February 2023								
Gross loans and advances	13 043	134	678	90	346	99	1 128	15 518
Business loans	6 142	82	362	40	312	28	496	7 462
Mortgage loans	6 901	52	316	50	34	71	632	8 056
Provision for credit impairments (ECL)(1)(2)	(225)	(3)	(127)	(21)	(17)	(12)	(436)	(841)
Business loans	(196)	(3)	(105)	(17)	(14)	(7)	(291)	(633)
Mortgage loans	(29)	—	(22)	(4)	(3)	(5)	(145)	(208)
Net loans and advances	12 818	131	551	69	329	87	692	14 677
Business loans	5 946	79	257	23	298	21	205	6 829
Mortgage loans	6 872	52	294	46	31	66	487	7 848
ECL coverage (%)(3)	1.7	2.1	18.8	23.6	5.0	11.7	38.6	5.4
Business loans	3.2	3.0	29.0	44.1	4.6	23.6	58.6	8.5
Mortgage loans	0.4	0.6	7.0	7.5	7.9	7.1	22.9	2.6
% of gross loan book	84	1	4	1	2	1	7	100
Business loans	40	1	3	—	2	—	3	49
Mortgage loans	44	—	1	1	—	1	4	51

(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 within other liabilities.

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

(3) The ECL coverage ratio is calculated in thousands before rounding to millions.

Chief financial officer's report continued

Group operating expenses

Despite growth of 17% in group operating expenditure to R13.9 billion (2023: R11.9 billion), the group's cost-to-income ratio decreased to 39% (2023: 40%) because of the 17% growth in income from operations after credit impairments.

Information technology (IT) is critical to the group's long-term strategy, and we continue to invest for future growth, therefore IT costs increased by 27% to R1.9 billion (2023: R1.5 billion), excluding any employee costs. We have rebuilt our IT platforms to allow us to scale products to higher volumes. We are focusing on moving all our data to the cloud and on increasing the stability of all our critical systems.

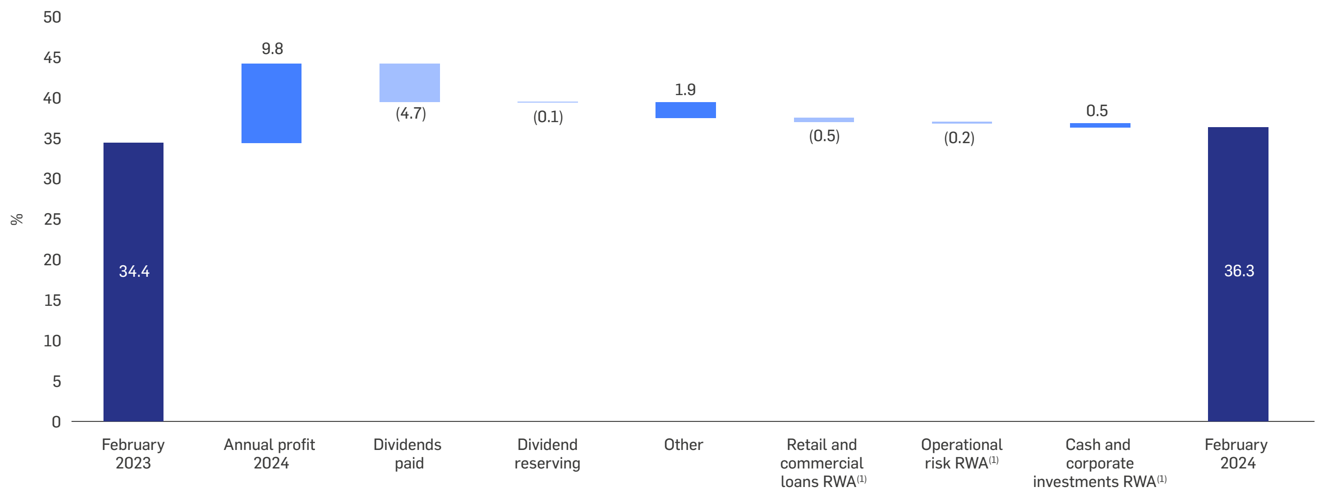
Total employee costs increased by 15% from R6.2 billion to R7.2 billion. The number of group employees increased by 296 to 15 747 (2023: 15 451) and long-term incentive expenses were higher due to the 15% year-on-year increase in the share price.

Capital and liquidity

The group's common equity tier 1 ratio of 36% (2023: 34%) and CAR of 36% (2023: 34%) are well above the group's regulatory requirements. As such, Capitec continues to be well capitalised and positioned for future growth opportunities.

We comfortably comply with the Basel III liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR). Our LCR is 2 398% (2023: 2 191%) and our NSFR is 216% (2023: 215%), while the regulatory requirement for both is 100%.

Year-to-date change in CAR



[1] *We use the standardised approach in calculating our risk-weighted assets (RWA) i.e. we apply standardised risk weightings per the regulations to the various asset classes. RWAs are used to calculate the minimum amount of capital a bank must maintain in relation to the riskiness of its lending activities and other assets.*

Internal financial control responsibility

The group has an established internal control framework in place, which includes adequate and effective internal financial controls, to ensure that the group's financial statements are fairly presented, in all material respects, and that no facts have been omitted, or that any untrue statements are made that would result in the financial statements being false or misleading.

For our full CEO and CFO internal control responsibility statement, please refer to **page 145** in the financial statements.

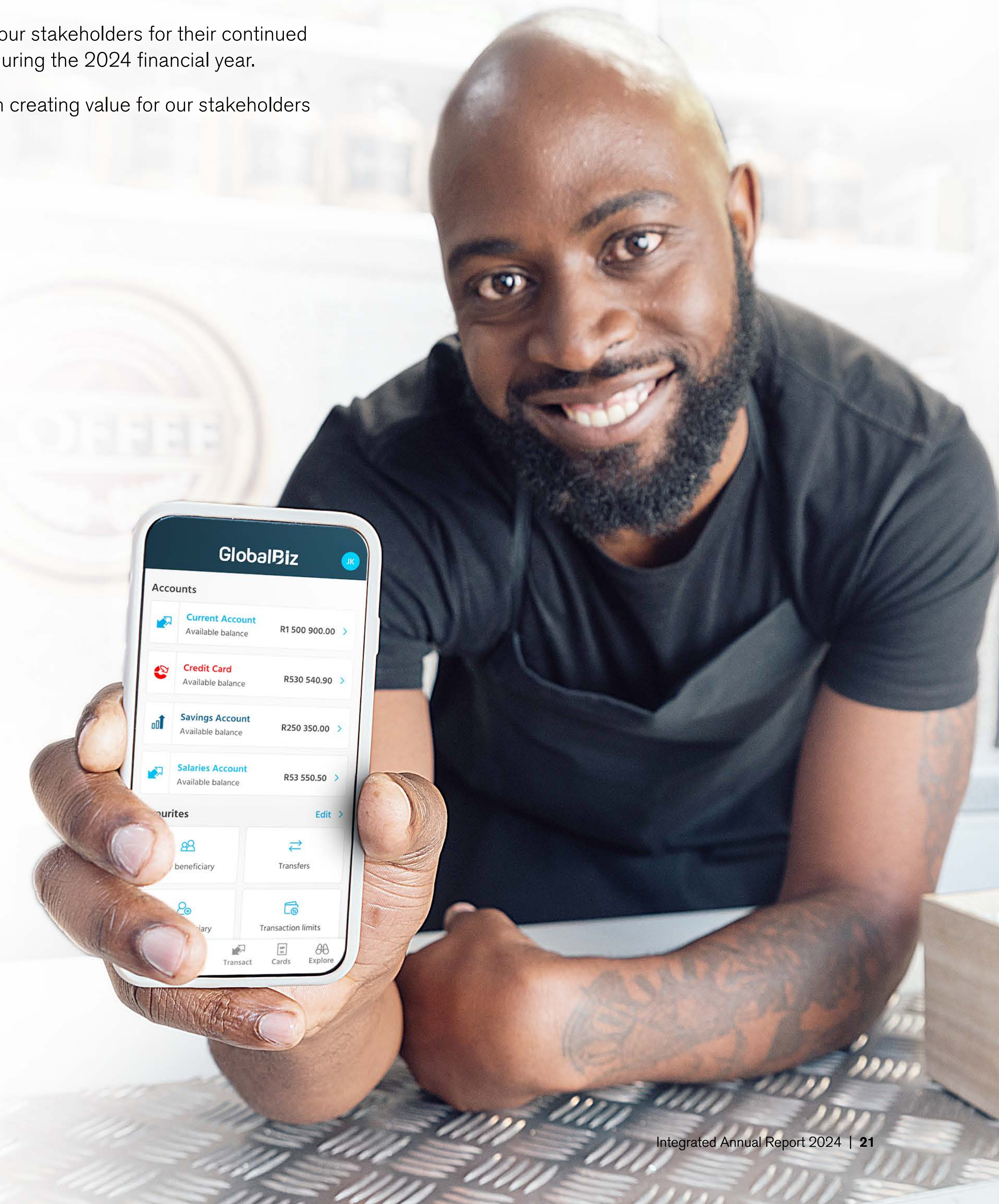
Appreciation

I would like to thank all our stakeholders for their continued support and feedback during the 2024 financial year.

Our focus will remain on creating value for our stakeholders into the future.

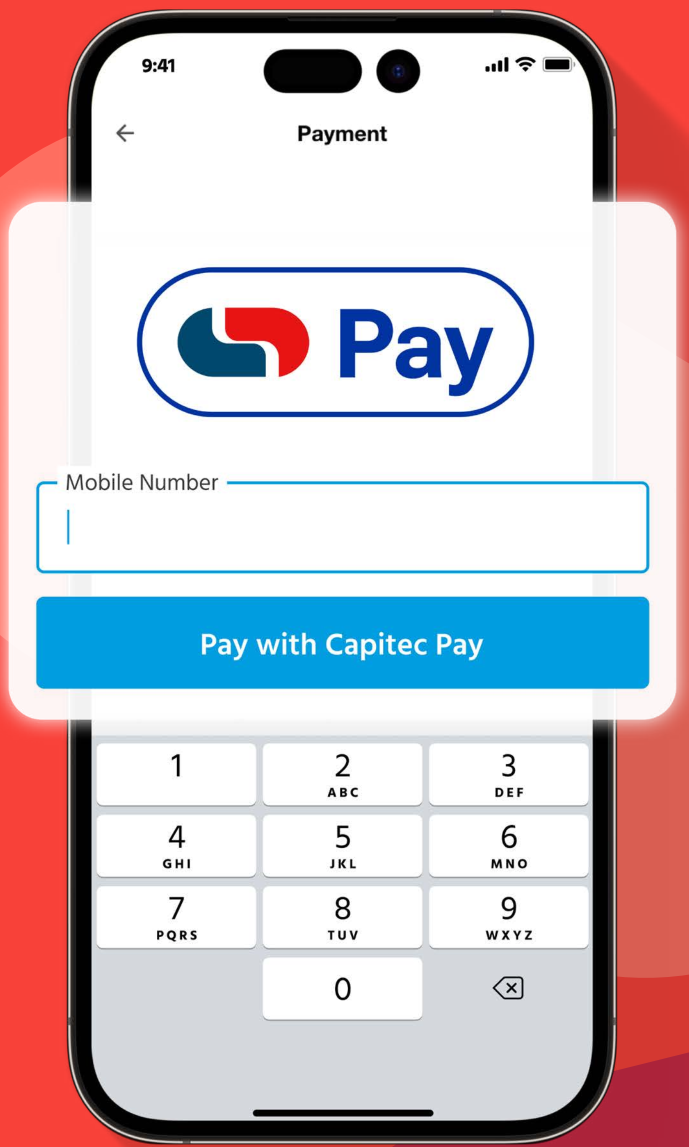
Grant Hardy
Chief financial officer

Stellenbosch
22 April 2024



02

creating value



Our purpose

To improve the financial lives of our clients and help them to live better.

Our core values

live ceo

Client first | Energy | Ownership

Our 4 fundamentals

- Simplicity
- Affordability
- Accessibility
- Personal experience

Our strategic objectives

- Client experience
- Client quality
- Digital
- World-class data business
- Business delivery
- People
- New capabilities

Our purpose and **business model**
page 24

Our **stakeholders**
page 26

Our **strategy**
page 28

Our **products**
page 31

Our purpose and business model

We never rest in our endeavour to improve the financial lives of our clients and help them live better. Our business model reflects our purpose and creates sustainable value for our stakeholders.

We deliver financial solutions that embody our founding fundamentals of simplicity, affordability, accessibility and a personalised experience to create sustainable value for our stakeholders while making a meaningful contribution to the prosperity of South Africa.

Transparency and client-centricity enable us to develop financial solutions that improve our clients' financial lives.

Our focus on technology and innovation has allowed us to develop a wide range of products that are true to our founding fundamentals, but more importantly, relevant in a rapidly changing environment.

Our vision is to build a platform that represents an ecosystem of financial solutions that address all of our clients' financial needs.

Our **strategies** translate the needs of our stakeholders into the business activities that we undertake and mitigate our risks.

*Refer to Our strategy on **pages 28** to **30**.*

Our **business activities** include retail and business banking and insurance services.

*Refer to the group structure on **page 39**.*

Products

GlobalOne

Live better

insure

GlobalBiz

*Refer to Our products on **pages 31** to **35**.*

Risks

*Refer to the Risk management report on **pages 83** to **113**.*

Resources	Stakeholders (on pages 26 and 27)	Performance indicators	Value shared
Financial capital comprises the funds that are available to us to provide products and services. It is derived from retained earnings, shareholder funds, wholesale funding and deposits.	• Investors and analysts • Government and regulators	**26%** (2023: 25%) ROE **37 611 cents** (2023: 32 753 cents) Net asset value per ordinary share **36.3%** (2023: 34.0%) CAR	Dividends paid **R5.0 billion** (2023: R4.2 billion) Interest paid to wholesale funders **R515 million** (2023: R354 million)
Social and relationship capital encompasses the relationships established with our clients, employees and other stakeholders including shareholders, regulators and the communities where we operate to improve individual and collective well-being. This capital includes shared norms, values and behaviours.	• Our clients • Our employees • Government and regulators • Society	**22.2 million** (2023: 20.1 million) active clients **7.8 million** (2023: 6.9 million) fully banked clients **R10.6 billion** (2023: R9.2 billion) headline earnings	Corporate social investment (CSI) **R39 million** (2023: R43 million) Income and other taxes **R4.9 billion** (2023: R3.5 billion)
Human capital consists of the skills, abilities and experience of people and their motivation to innovate. We employ people for their potential and fit with our culture and values. We create employment in communities and invest in communities through education and our employee volunteer programme.	• Our employees • Society	**15 747** (2023: 15 451) employees	Employee remuneration and benefits (excluding Unemployment Insurance Fund contributions and skills development levies) **R7.0 billion** (2023: R6.1 billion)
Intellectual capital comprises assets based on Capitec-specific knowledge, operating systems and processes. We have bespoke technology, extensive data collection and analysis capabilities and use artificial intelligence (AI). Our financial solutions offer innovative ways to meet our clients' financial needs.	• Our clients • Our employees	**11.4 million** (2023: 10.1 million) digital clients **R27.3 billion** (2023: R23.4 billion) income from operations after credit impairment	Interest paid to clients **R8.8 billion** (2023: R6.6 billion)
Natural capital is all renewable and non-renewable environmental resources that support the current and future success of our business. Our capital is enhanced by our approach to climate change.	• Society	**21%** decrease in carbon footprint intensity per employee compared to 2023	
Manufactured capital consists of produced physical objects, as opposed to natural objects, that are available to use in our business activities. It includes our branch and device infrastructure, and remote banking solutions.	• Our employees • Society	**866** (2023: 860) branches **8 382** (2023: 7 898) ATMs, DNRs and CNRs	Value retained for growth **R6.3 billion** (2023: R4.5 billion) Supply of goods and services **R10.1 billion** (2023: R8.8 billion)

Our stakeholders

Proactive stakeholder engagement ensures that we are well acquainted with our stakeholders' expectations. Our strategies are informed by these expectations.

The group executive committee (EXCO) and the board's SESCO are responsible for our relationships with stakeholders. The board understands stakeholders' requirements and considers their legitimate needs and interests in the performance of its duties.

Clients

Requirements and interest	Channels used to interact and manage stakeholder expectations
• Access to innovative and simple financial solutions • Development and inclusivity for SMEs • Excellent client service experience • Transparent, client-centric pricing • Value-added services • Education to improve financial health	• Advertising • Client surveys • Market and industry research • Digital channels (banking app and website) • Face-to-face interactions (branch network) and call centres • Relationship managers
Resources: | |	**Our strategy:** | | |

Our employees

Requirements and interest	Channels used to interact and manage stakeholder expectations
• Healthy working environment • Inclusive culture and diversity • Job security, fair remuneration and continuous development • Inspired and decisive leadership • Industry-leading trends and strategic implementation • Effective performance management, recognition and training • Opportunities to create value	• Internal communication • Information sessions (monthly town halls) • Training and development • Website and intranet • Performance reviews • Employee wellness platform
Resources: | |	**Our strategy:** |

Government and regulators

Requirements and interest	Channels used to interact and manage stakeholder expectations
• Commitment to economic development • Transformation i.e. broad-based black economic empowerment (B-BBEE) • Regulatory compliance • Responsible taxpayer in South Africa • Active participation in regulatory workshops • Regulatory announcements as required • Public-private partnerships	• Interviews and meetings • Reports and presentations • Conferences and round-table discussions • Website, media and the JSE SENS • Via electronic correspondence (email, Microsoft Teams meetings and telephonic discussions)
Resources: R |	**Our strategy:**

Society (suppliers, communities and civil society)

Requirements and interest	Channels used to interact and manage stakeholder expectations
• Access to financial products and solutions that help create positive impacts for society • Transformation through delivery in line with B-BBEE legislation • Active participation in contributing to society and communities using available resources • Commitment to climate change • Job creation • Confidence in business continuity • CSI opportunities • Education and skills development	• Service level agreements • Relationships with applicable business units • Meeting and servicing deliverables • Sponsorships • Social responsibility investments • Website and advertising • Webinars and meetings – *ad hoc* engagement • Collaborations • Capitec Foundation and volunteers
Resources: | |	**Our strategy:** |

Investors and analysts

Requirements and interest	Channels used to interact and manage stakeholder expectations
• Expert, experienced management • Sustainable growth and financial returns • Sound balance sheet to protect against any downside risk • Transparent reporting and disclosure • Clear and concise strategic objectives • Sound ESG practices	• Integrated annual report • Investor presentations • Roadshows, shareholder and analyst meetings • Website, media and SENS announcements • Environmental reporting
Resources: R | | |	**Our strategy:** | |

Our strategy

Our philosophy 'Better never rests' is encapsulated in our strategic objectives. Our clear, concise objectives allow our teams to consistently produce value for our stakeholders.

Retail bank

Create the best personal banking experience in the world and exceed our clients' expectations

Most trusted

- Achieve the highest standards of digital and physical safety
- Strengthen client channels by ensuring robust safety measures
- Instil security considerations into every aspect of our design processes ensuring a secure and trustworthy user experience
- Continuously improve resilience, supportability and scalability as key priorities for sustained growth

Excellent client service experience

- Create a single view of the client and a seamless experience between the Retail and Business banks
- Empower clients to take control and effortlessly fulfill their financial needs through enhanced self-service capabilities that are simple and transparent
- Broaden and enrich the conversational banking service so that it becomes the preferred channel for service support, both in-app and on WhatsApp
- Optimise and extend branch and cash distribution and accessibility

Credit aspiration

- Optimise the credit flow
- Improve clients' ability to build their credit score for the future
- Improve the current product offering

Bank Better

- Next best action automated decisions delivered on all channels to optimise client engagement
- Foster positive client behaviour by promoting conversion from cash to electronic transactions and elevating the Live Better experience
- Establish family banking to cater for the unique financial needs of families and expand our range of savings products

Create value beyond banking

- Launch our innovative life cover
- Expand and diversify VAS that meet clients' needs
- Encourage clients to Bank Better and Live Better through a personalised and fun rewards and loyalty programme
- Become the hero in the communities we operate in by supporting meaningful CSI projects and through our employee volunteerism

Better for our people

- Improve our end-to-end employee experience, starting with onboarding
- Equip our people with the tools to manage their overall well-being
- Scale internal mobility and unlock growth through deliberate headcount management and retention
- Reinforce our fundamental CEO (client, energy, ownership) values, behaviours and leadership principles through enablement, recognition and reward
- Equip our leaders to #LeadBetter

Insurance

Provide our clients with insurance solutions that are easy to understand, affordable, accessible and have an easy and transparent claims process

Optimise the business model and ways of working

- Ensure system and operational readiness to administer all funeral policies by 31 October 2024
- Become risk data aggregation and risk reporting (RDARR) compliant to ensure consistent and reliable financial and operational reporting

Build the Insurance business

- Implement future-proof claims capabilities: Build a single insurance claims system for all products
- Section 50 transfer of credit life policies once approval is obtained from the SARB

Grow market share and launch life cover

- Launch Capitec Life cover to provide accessible life cover and educate clients on the differences between funeral and life cover
- Introduce a novel risk scoring model for the life cover product to offer customised underwriting and pricing and develop propensity models for use in marketing campaigns

Remove friction from processes for clients and add real value to their lives

- Build new key risk indicator (KRI) and market conduct dashboards for swift intervention in client experience issues identified
- Simplify and improve our policy agreements and infographics to make claiming and interaction with us easier for our clients
- Claims optimisation and automation

Business bank

Deliver a digitally-led, relationship-based solution to our clients

Growth

- Launch GlobalBiz products and implement new pricing on transactional accounts – 1 March 2024
- Drive client and employee adoption of new digital channels
- Significantly increase the number of new accounts
- Deliver sales growth

Systems

- Robust monitoring of systems and alerts to address risks proactively through continuous improvement
- Deliver a new rental finance system
- Rigorous fraud and risk management

Digital

- Enable clients to take up savings and investment products on digital channels and order cards on the app
- Deliver the capability to order a merchant device online through our digital channels
- Enable self-service to allow clients to update their Financial Intelligence Centre Act, Act 38 of 2001 (FICA) details on our digital channels
- Enable Apple Pay
- Offer VAS including prepaid electricity, airtime and data on digital channels
- Introduce scalable client engagement through the use of technology

Credit

- Scale self-help scored, unsecured lending by expanding our unsecured, scored client overdraft to the app as well as new-to-bank clients as an extension of remote onboarding
- Continuous improvements to our loan management system and the addition of all credit products
- Improve our collections capability with new systems and processes
- Automation of document management capability

Emerging market

- Launch minimum viable product pilot and learn from the experience
- Design and launch the dynamic loan
- Deliver a card machine efficiently

Relationship suite

- Remove administration from the relationship suite
- Focus on service level agreements, quality assurance, escalations and breaches
- Manage scale – through slick onboarding, targeted client strategies and proactive data-driven campaigns

Strategic initiatives

Meet and exceed client needs by providing relevant products and services

Capitec Connect

- Implement a simple and affordable data and airtime product offering
- Enable clients who use cash to stay connected
- Make quality handsets available to our clients through competitive pricing and device financing
- Use data as an incentive to drive and reward behaviour

Payments

- Ensure best-of-business uptime and reliability
- Protect our clients by ensuring they are safe and secure when paying online and in-store
- Leverage the latest technology to ensure an exceptional client experience
- Become a trusted digital data-sharing service provider for the financial sector

Live Better

- Rewards as a service to all partners (internal and external)
- Change client behaviour by utilising relevant, meaningful, fun and significant rewards

Value-added services

- Improve client uptake: Build penetration of the existing client base
- Licence disc renewals

Shared services

Technology

- Complete the roll-out of our product development platform
- Optimise the use of cloud services
- Provide a modern and integrated experience for our clients by rewriting the app and creating a single onboarding experience for Retail and Business clients
- Roll out the call centre as a service solution with AWS Connect

Risk management

- Review the functional and business structures to create a future-fit and agile risk management capability
- Enhance fraud risk and anti-money laundering (AML) capabilities (structure, people, process, data and technology)
- Enhance the risk data strategy
- Develop second line assurance capabilities within the credit risk value chain
- Improve and measure risk culture through enhanced metrics

Data

- Complete the data migration to AWS
- Significantly increase the number of predictive and machine learning models using the AI platform
- Provide better business intelligence through Copilot for PowerBI

Finance

- Optimise capital and capital planning
- Refine and optimise the procurement structure and processes to unlock value for the business
- Ensure financial models are challenged and stable
- Leverage systems and efficiencies and drive data excellence

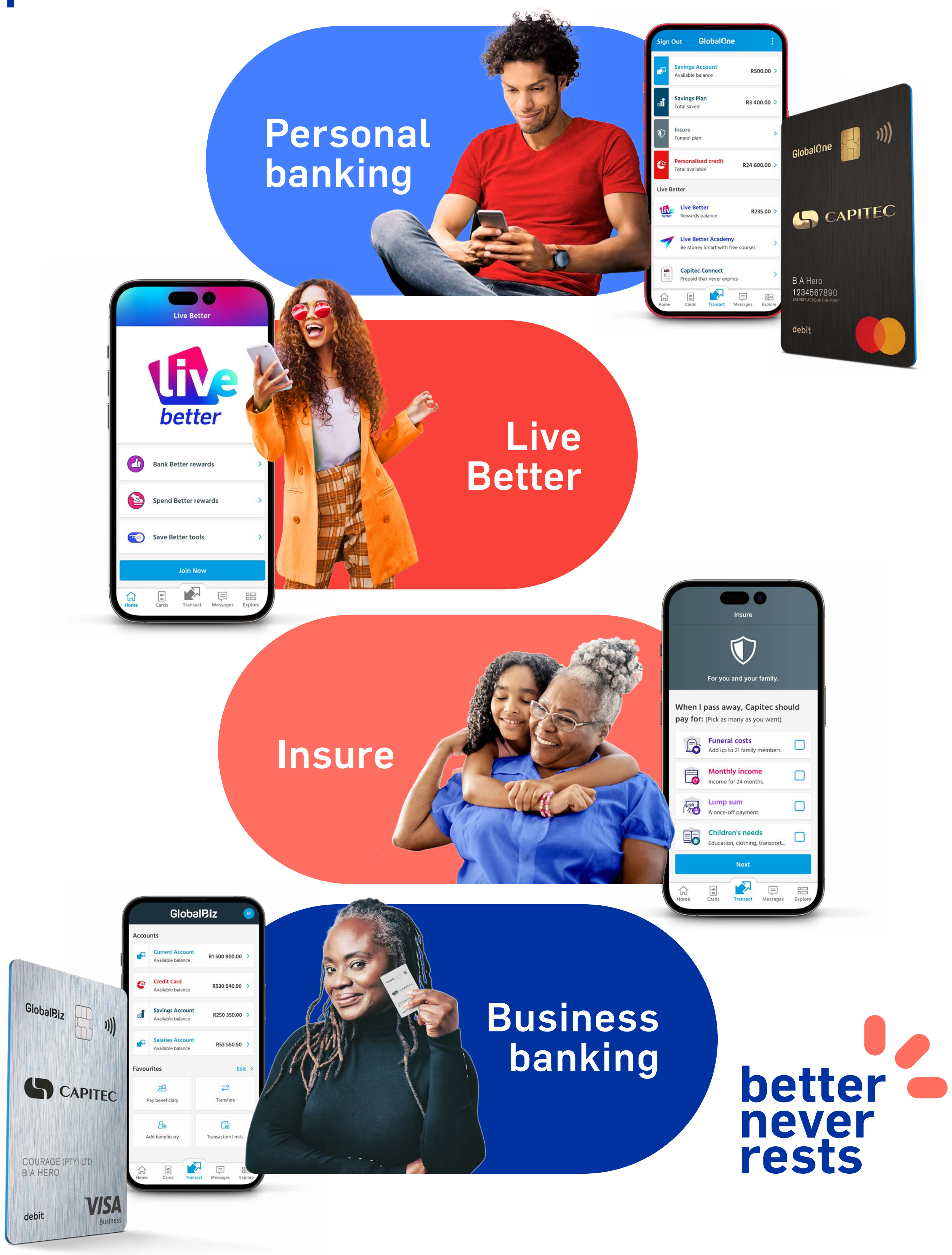
Marketing

- Position Capitec as the top brand in the youth, affluent and SME market segments as well as the top employer brand
- Scale hyper-personalised engagement across channels leveraging the app and WhatsApp to drive better banking behaviour
- Protect trust in the brand and build client experience as our competitive advantage. Lead insights-driven design, measurement and improvement of a seamless client experience across personal and business banking
- Encourage and support our employees and communities through financial education, meaningful community initiatives and the Capitec Foundation

People

- Invest in the future of our people
- Scale critical skills learning and start the work on our functional skills academies
- Equip our leaders and develop the next generation of leaders

Our products



Our products continued

Personal

Simplified banking and rewards that help clients live better

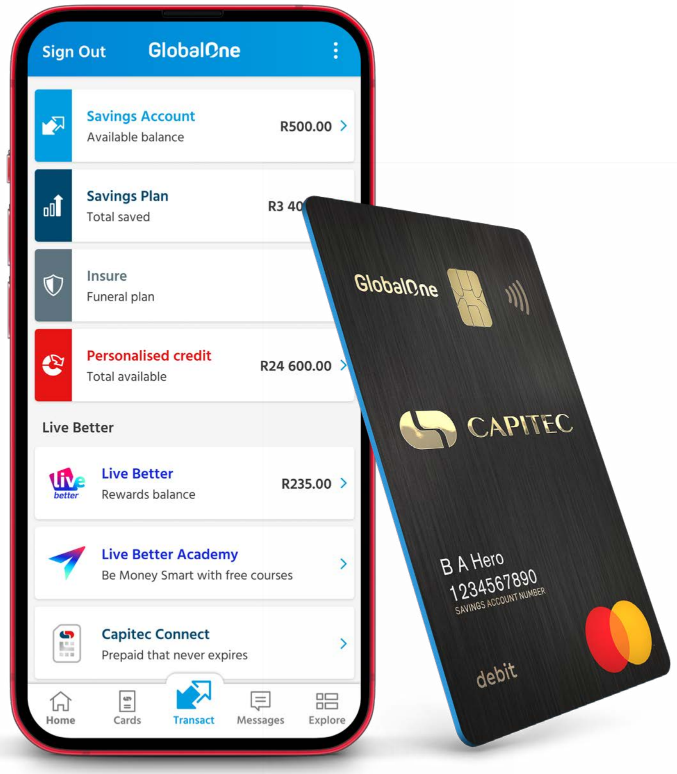
Transact

Our clients can transact conveniently at any time and anywhere on their GlobalOne account. Clients can use any one of our secure options to bank on our app, pay with their card or tap with their phone or watch.

Digital and banking app transactions

It is easy to use less cash with our secure digital payments and clients save on fees.

- Capitec Pay
- Internet banking
- Mobile banking app
- Pay me
- Payments (realtime clearing or normal transfers)
- PayShap
- Scan to pay
- Updating of card limits
- USSD mobile banking
- Virtual card payments
- Wallets (Apple Pay, Garmin Pay, Samsung Pay and Google Pay).



Value-added services

- Prepaid data and electricity purchases
- Bill payments
- National lottery ticket purchases
- Send Cash
- Vehicle licence renewal
- Voucher purchases.

Card transactions

Clients can transact worldwide with our debit, credit or virtual card, wherever you see the Mastercard logo.

Save

Clients can open 4 free savings plans on our app and invest in shares. They can also name the respective plans to match their goals and fix them on the app to earn higher interest.

- **Transaction account:** clients earn interest on positive balances in the main savings account
- **Flexible savings:** clients can choose the amount, the term and frequency of their deposits
- **Fixed-term savings:** clients can earn higher interest with our free single or multiple deposits
- **Tax-free savings account**: clients can invest up to R36 000 a year and R500 000 in a lifetime and get tax-free returns
- **Invest with EasyEquities:** clients can buy and sell shares straight from our app and save 20% on brokerage fees across all trades.

Credit

Clients can choose from personalised credit solutions that suit their needs.

- Access facility
- Credit card
- Home loan
- Personal loan.

Capitec Connect

Our clients have access to an affordable mobile solution that puts them first. Clients can choose between prepaid airtime and data that does not expire or 30-day bundles.

- Capitec Connect SIM card
- Prepaid data
- Prepaid minutes
- Prepaid SMSes.

Live Better

Real rewards when you Bank Better, real cash back when you Spend Better and real simple ways to Save Better

Live Better savings account

At no additional cost, the Live Better savings account is an additional savings account that brings with it cash backs, automated savings tools and a beneficial interest rate. The goal is to provide our clients with everyday value while assisting them in creating a culture of saving.

Bank Better

To incentivise better banking, clients qualify for 1% cash back on their credit card spend for keeping their account up-to-date, which is paid into the Live Better savings account on the 10th of every month (Live Better day).

Save Better

2 automatic savings tools come standard with the Live Better savings account – Round-up and Interest Sweep.

Round-up

Round-up is an automatic savings tool that puts small change to work. Clients can spend as they normally would and round-up each purchase to the value of their choice and automatically transfer the difference to their Live Better savings account once the transaction has cleared.

Interest Sweep

Interest Sweep is a smart tool that does the saving for clients by transferring any interest earned on the main transactional savings account into the Live Better savings account at the end of every month, earning higher interest.

Spend Better

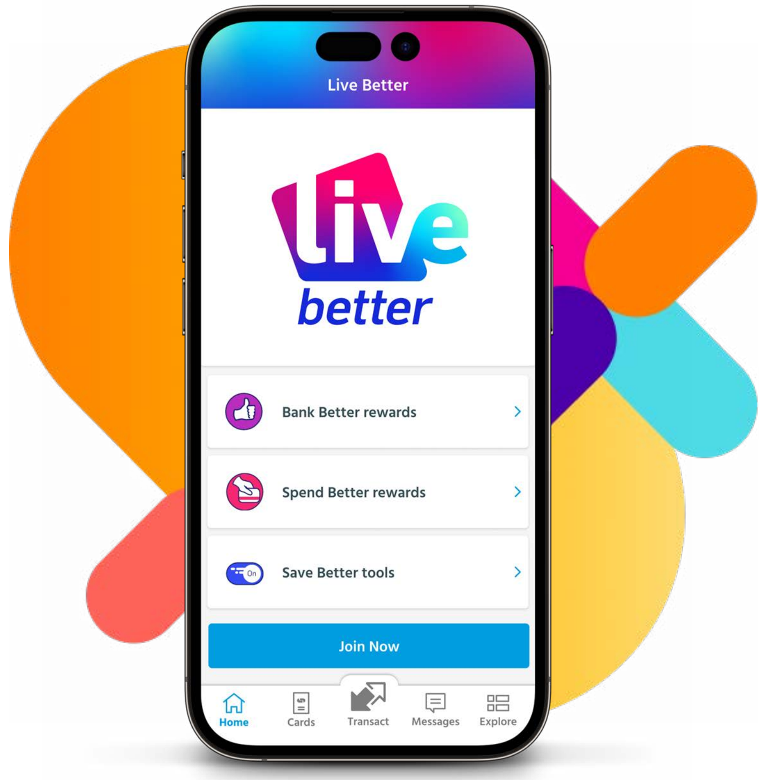
Live Better partners offer clients cash back or a discount on their purchases.

Cash back partners

Live Better clients qualify for partner cash backs when they transact with our Live Better partners which include Bolt, Cashbuild, Dis-Chem, Dis-Chem Baby City, Exclusive Books and Shell.

Discount partners

Clients also qualify for a discount on their spend when they transact at any of the following partners: Educate24, EasyEquities, GetSmarter and Travelstart.



Insure

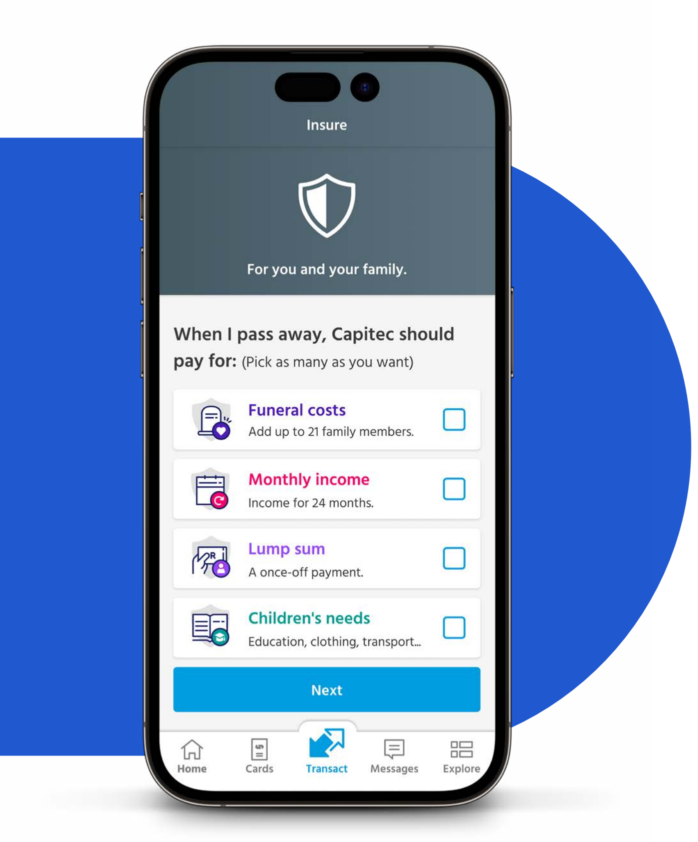
We provide more cover for less with our funeral plan and credit life insurance

Capitec funeral plan

Our funeral plan, underwritten by Centriq Life Insurance Company Limited, is personalised according to our clients' needs. Clients can get up to R100 000 cover for themselves and cover for up to 21 family members.

Clients can select a level of cover or premium, depending on their requirements. Our clients can also choose a premium that fits their budget and we calculate the cover accordingly – putting the client in control of their own financial decisions.

We understand that our clients want a plan that pays out quickly following a death to assist with funeral and related expenses. We also understand that clients want to talk through their options and benefits when buying a funeral plan. Since inception, 83% of all Capitec funeral plan policies were issued in branches.



Our funeral plan offering is as follows:

- Waiting period waiver (transfers)
- New-born premium cover waiver for 6 months
- Double accidental death benefit
- Death premium waiver for 6 months
- Voluntary policy pause for up to 6 months
- Burial repatriation benefit.

Credit life insurance for Retail bank clients

Credit life insurance covers our clients in the event of permanent or temporary disability, retrenchment, unemployment, the inability to earn an income (other than due to disability) or death. It is compulsory for clients to have credit life insurance for credit terms of 7 months and longer.

Although we offer this insurance, clients can provide us with an alternative policy of their choice provided that it meets our minimum requirements.

Our insurance offering is unique as the premium is charged monthly at a rand amount per R1 000 of the outstanding loan balance. Therefore, our monthly premium is charged on a diminishing loan balance if the client remains up-to-date with his/her instalments.

Our offering is also immediately available, no paperwork is required when applying, the claims process is simple and the policy is available to clients up to the age of 65.

Business

Business banking with access to simplified financial solutions including payments, investments, credit and insurance

Transact

Our transactional account and services are simple, transparent and affordable and include the following:

- 1 business account for life
- Similar transaction fees to personal banking
- Free access to digital channels
- Access to a relationship banker
- An affordable range of card machines with low commission rates
- An authorised foreign exchange dealer that offers a wide range of products and services for importers, exporters and businesses needing to send or receive an international payment for services rendered with a team of specialists that are ready to guide and support clients throughout the process
- Secure and affordable payment solutions that help clients to manage their business' electronic payments and collections
- Franchising services that include specialist support and an integrated lending package
- Accounting package integration that improves business administration.

Save

Our business savings products help clients meet their investment goals. We offer the following products:

- Business flexible savings accounts
- Notice deposit accounts.

Insure

Clients qualify for a fully customised business insurance solution with a 10% discount on premiums with Capitec and OUTsurance.

Credit

Clients can access credit without extensive documents or business plans. Our products include:

- Instant overdrafts that are available immediately with no security
- Vehicle and asset finance that allows businesses to free up cash flow for other business needs
- Customised commercial and residential property finance
- Business term loans.

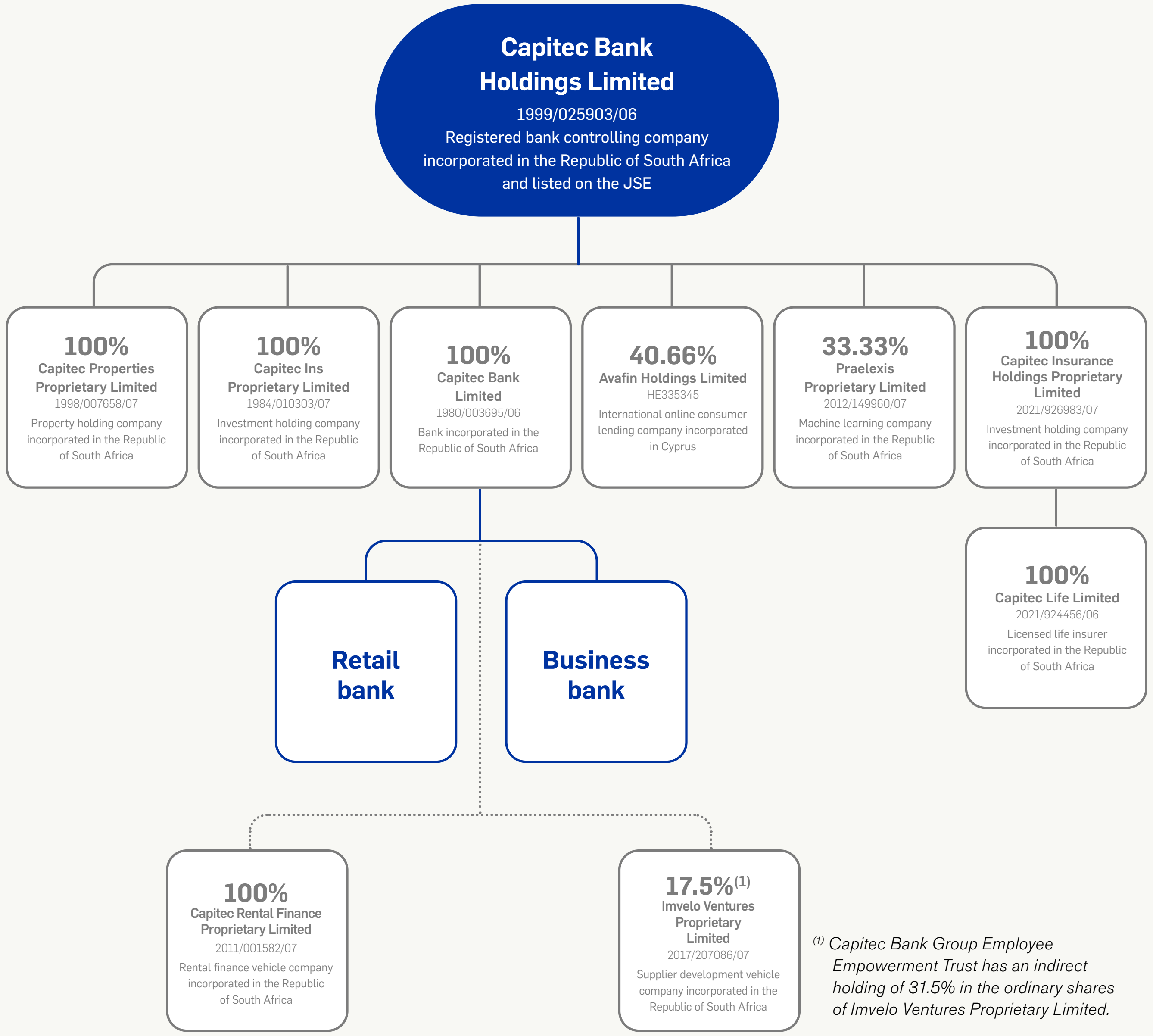
03

environmental, social and governance

We achieved the 4 outcomes:

- Ethical culture
- Good performance
- Effective control
- Legitimacy

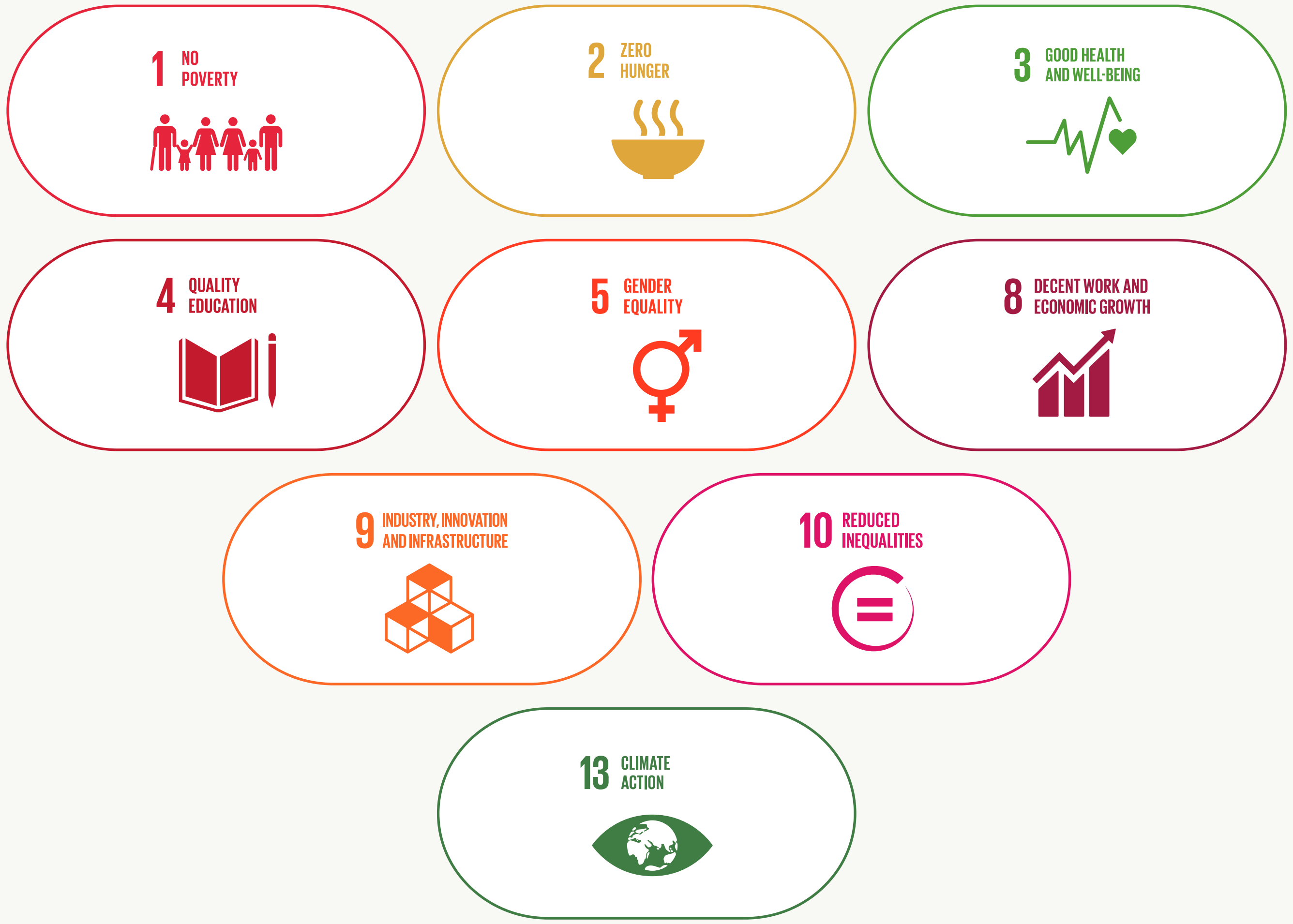
Group structure



(1) *Capitec Bank Group Employee Empowerment Trust has an indirect holding of 31.5% in the ordinary shares of Imvelo Ventures Proprietary Limited.*

Delivering on the UN Sustainable Development Goals

Our purpose supports the intent of the UN SDGs and our business model contributes to these outcomes for humankind. Throughout this document, we have highlighted sections of the report applicable to the UN SDGs.



Our contribution towards the UN SDGs

During the current year, we made contributions towards the achievement of the following UN SDGs:

Goal 1: No poverty

End poverty in all its forms everywhere

Our contribution to ending poverty is focused on social investment initiatives that foster financial inclusivity and access to education.

Read more in Contributing to society from **page 54**.

Goal 2: Zero hunger

End hunger, achieve food security and improved nutrition and promote sustainable agriculture

Through employee volunteerism we provide meals to people in disadvantaged communities.

Read more in Contributing to society from **page 54**.

Goal 3: Good health and well-being

Ensure healthy lives and promote well-being for all at all ages

We believe in empowering our people to own their well-being. We aim to create an environment that is conducive to overall well-being.

Read more in Year of our people from **page 43**.

We also invest in community well-being and development through our employee volunteer programme and partnerships.

Read more in Contributing to society from **page 54**.

Goal 4: Quality education

Ensure inclusive and equitable quality education and promote life-long learning opportunities for all

We are committed to the improvement of numeracy and financial literacy of South Africans. Our CSI focuses primarily on education.

Read more in Contributing to society from **page 54**.

During the year of our people, we focused on building world-class skills and capabilities for the future and developing our people.

Read more in Year of our people from **page 43**.

Goal 5: Gender equality

Achieve gender equality and empower all women and girls

We support gender equality by promoting diversity and inclusion in the workplace.

Read more in Year of our people from **page 43**.

Goal 8: Decent work and economic growth

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

To create sustainable economic growth, it is necessary for people to have quality jobs that stimulate the economy without harming the environment. We have created sustainable job opportunities.

Read more in Year of our people from **page 43.**

Goal 9: Industry, innovation and infrastructure

Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation

We are a diversified financial services group that offers innovative products to help our clients live better.

Read more in Our purpose and business model from **page 24**.

Goal 10: Reduced inequalities

Reduce inequality within and among countries

Transformation is a critical driver of economic growth. To this end, we adhere to the transformation requirements and targets as set out in the amended Financial Sector Code, which actively promote a transformed and globally competitive financial sector. This contributes to the establishment of an equitable society.

Read more in Contributing to society from **page 54**.

Goal 13: Climate action

Protect, restore and promote the sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and biodiversity loss

We acknowledge and understand the urgency of addressing the risk of climate change. During the current financial year, we have made significant strides in monitoring and decreasing our impact on the environment.

Read more in Protecting our planet from **page 52**.

Year of our people

To remain ahead in today's talent market, sustaining a culture where people want to work – where they are seen, heard and valued – is not just a nice to have, it's a strategic imperative.

Providing an exceptional employee experience is no longer considered a perk, it fuels a thriving culture and propels organisational success. It turns employees into passionate advocates who drive innovation, productivity and ultimately results.

It is the heartbeat of any culture. When employees feel valued and empowered, they become your greatest asset, attracting top talent and fostering a high-performance environment.

From onboarding to offboarding, every touchpoint shapes an employee's experience. It's about more than just free coffee or gym memberships – it's about meaningful work, growth opportunities and a sense of belonging that keeps employees engaged and committed.

At Capitec, we believe that investing in exceptional employee experiences (in the way we attract, hire, onboard, develop, recognise and reward people) is pivotal for sustaining organisational success in the long run.

During the 2024 financial year, we listened to our people. They shared their thoughts, and we paid attention. The insights we gained became the cornerstone of the initiatives that we set out in our people strategy, which is directed towards fostering a culture that prioritises growth and development, ensures a sense of value and recognition and enables our people to own their well-being.

Capitec's people strategy is aligned to our 4 fundamentals of simplicity, accessibility, affordability and personalised service – helping us to shape people solutions fit for a fast-paced, agile world.

Our journey to becoming an employer of choice is centred on the following 5 strategic levers and initiatives:

- **Attract and retain the best talent:** Attract the very best talent and create an employee experience that makes them want to stay
- **Lead and develop for the future:** Develop a diverse pipeline of talent that can successfully lead Capitec in a fast-growing and changing environment
- **Build world-class skills and capabilities:** Grow our people to build new capabilities for the future
- **Keep the trust of our people:** Build a culture of care, recognition and inclusion
- **Build human resources (HR) for the future:** Build a forward-thinking HR team to deliver a world-class employee experience.

Attract and retain the best talent

Our vision is to be the chosen bank for our 22.2 million clients and an employer of choice for all people.

Harnessing external talent for success

Capitec remains committed to playing a vital role in fostering economic growth in South Africa through creating employment opportunities.

Our focus on digitalisation has propelled us into a highly competitive talent market. In this landscape, attracting top technical talent continues to be our key strategic focus, prompting us to enhance our employer branding through robust marketing and a targeted employee value proposition.

Our attraction strategy is simple yet effective. We leverage various channels – from our corporate careers site and social media platforms to job boards and professional networks – all of which showcase the exciting job opportunities available at Capitec. Through these channels, we not only share our vision but also highlight the unique stories of our people and offer insights into our leadership and culture. This is how we proudly convey why working for Capitec is more than just a job – it's a way of life.

This strategy has proven successful in attracting sought-after external talent. Indicators of its effectiveness are an 8% increase in external applications for specialised or critical skill sets, along with growth of 18% in our LinkedIn followers. These factors collectively contributed to a 47% external appointment rate for the 2024 financial year. In addition to this:

- The total number of external applications received for all positions, through all sourcing channels in 2024, was 582 082. This is 23% higher than in 2023 (472 720)

Year of our people continued

- We filled 2 633 vacant or new job opportunities with external applicants during the financial year. In alignment with our transformation objectives, 94% of these external appointees were black
- Our commitment to driving digital innovation is reflected in our ongoing efforts to recruit technology and data talent. Notably, 15% of all external appointments fell within these specialised skill sets
- Finally, we are dedicated to empowering South Africa's youth by offering entry-level positions to recent matriculants and graduates. We are igniting their careers and championing their future success. 7% of all external appointments made during the financial year were f irst-time job applicants.

The table below shows a breakdown of all external appointments.

Occupational level	Female		Male		Total
	Black	White	Black	White	
Top management	–	–	1	–	1
Senior management	4	–	2	2	8
Middle management	78	16	138	53	285
Junior management	179	30	169	39	417
Other	1 314	6	592	10	1 922
Total	1 575	52	902	104	2 633

Black = African, Indian and Coloured as per South Africa's Employment Equity Act, Act 55 of 1998.

Unlocking potential from within

While we recognise the value of external appointments, our greatest strength lies in our dedication to cultivating and promoting talent from within our organisation. In 2024, we had an internal appointment rate of 53%, which remains a strong driver for retention among our people. This year's internal appointment rate was 4% higher than the rate for 2023 (49%), indicating that we continue to cultivate the talent that exists within our business. A key driver of the appointment rate is our internal career mobility programme which promotes the appointment of our branch and business support centre employees into specialised roles at head office. This provides our employees with a chance to transform both their careers and their lives.

Below is an overview of the internal appointments made during the financial year.

Occupational level	Female		Male		Total
	Black	White	Black	White	
Top management	–	–	–	–	–
Senior management	3	2	4	5	14
Middle management	49	45	93	94	281
Junior management	501	66	358	56	981
Other	1 046	17	446	17	1 526
Total	1 599	130	901	172	2 802

Black = African, Indian and Coloured as per South Africa's Employment Equity Act.

Overall, Capitec experienced net growth of 296 employees in the reporting period, bringing our total number of employees to 15 747 (2023: 15 451).

Finally, it has been 1 year since we implemented our refreshed Capitec hiring recipe which through technology aims to enhance the hiring experience of our line managers and candidates.

Since its inception, our revamped hiring process has yielded impressive results, with a notable boost in candidate satisfaction, evidenced by a surge in the net promoter score from +34 to +64. This transformation is marked by consistency and our seamless hiring process, as well as the infusion of Capitec's culture and leadership principles throughout. Individualised assessment feedback further underscores our commitment to candidate growth. Operationally, we achieved a 15% reduction in time-to-fill rates, a reduction in offer declines from 19 to 10 per month, while also elevating the quality of hires by 4% and boosting diversity appointments. These strides underscore our intent to deliver a top-notch candidate experience while driving tangible business impact.

Retaining our talent

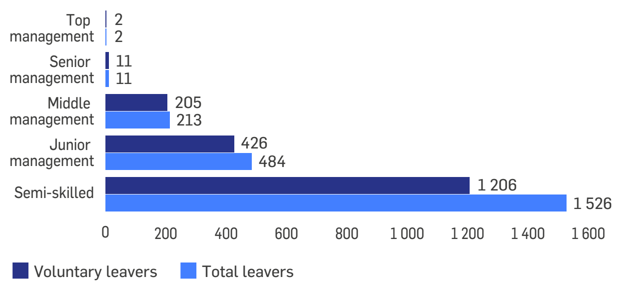
Our commitment is to value the needs of our people to ensure we can retain them. Even with our voluntary attrition rate at 12.5%, we've made a concerted effort to thoroughly grasp the factors that are contributing to people leaving.

Our findings led us to tailor strategies focused on the career journeys of our young talent and on learning initiatives that will fuel their growth.

Knowing who our leavers are and why they leave is a crucial part of our people strategy.

Below is a view of our attrition dashboard showcasing our attrition information per occupational level for the 2024 financial year. We distinguish between voluntary (resignations) and involuntary leavers (death, retirement and dismissal). We had no retrenchments during the year.

Total leavers per occupational level



Lead and develop for the future

Resetting performance

We enhanced our performance management process to ensure that it drives the right behaviour and business performance. In addition, we simplified our performance management processes, integrating our business and performance management cadences, as well as fostering employee ownership for their performance and personal growth. This renewed strategy is centred around specific key principles:

- We strengthened the concept of goal setting by introducing shorter performance review periods (every 3 or 4 months). Employees and line managers based outside of our branches collaboratively set goals together every 4 months while our branch employees set goals every 3 months. For all employees, each goal plan needs to contain a maximum of 5 measurable goals and must include at least 1 or 2 of our leadership principles, with the balance based on functional delivery for the performance period
- We shifted the focus of performance management from the performance score to the quality of the performance conversation between our employees and their line manager. We believe in realtime, quality conversations between employees and managers to build trust, encourage development and drive performance. We also encourage the use of development tools, such as 360 degree feedback surveys, that can help employees gain a better understanding of their strengths and development areas
- We reset how we reward for performance by introducing measures that allow our leaders to distinguish exceptional performers through our annual bonus structure.

By empowering our people to take ownership of their performance and growth, we are building a culture of accountability and continuous improvement that is well suited to the demands of an agile business environment.

Building talent pipelines for the future

We are focused on nurturing a diverse pool of talent that is ready to lead our business into the future. Through proactive succession planning and talent programmes, we are grooming our top talent, ensuring a strong team of leaders are ready for new opportunities. Our dedication to diversity and inclusion has helped us create a team that is as representative and diverse as the communities and clients we serve.

Our focus on succession planning ensures that we can identify and develop internal talent to take on leadership roles, at both middle and senior management levels. Our approach to succession planning includes a comprehensive assessment of an identified successor's skills, experience and potential, and is aimed at ensuring we have a strong bench of leaders who are ready to be appointed when needed. It also includes ensuring the right development plans are in place to accelerate role readiness, including linking the right leadership development initiatives to each identified successor. During the financial year, succession planning efforts resulted in 18% of appointments to senior management being from within the organisation. It is also important to note that 100% of these appointments were black, in line with our commitment to transformation at senior leadership levels. Through our strategic planning initiatives, we plan ahead for effective transitions and acknowledge and develop a diverse group of internal talent ready to take on leadership roles.

To further fortify and diversify the future of our leadership talent pools, we continue to recruit and develop graduates both internally and externally through our highly coveted graduate development programme. The intent of this programme is to equip young graduates with future ready skills, fresh perspectives and behaviours that will align with Capitec's culture from the onset of their career. In September 2023, 72% of our future leaders successfully completed the 2021 programme and assumed pivotal roles while early in 2024, we welcomed 15 new starters expanding the pipeline to 31 potential future leaders (100% black and 68% female) within our organisation.

Year of our people continued

Sustaining our success in a challenging talent landscape necessitates the funding of our specialist pipeline, particularly for scarce and critical roles. Our external bursary programme offers financial support, holiday programmes and work integrated learning. Once our bursars earn their qualifications, they have an opportunity to pursue a permanent position at Capitec. In the 2024 financial year, we awarded 15 new bursaries to students (87% black and 60% female) in science, technology, engineering and mathematics, as well as in the finance fields. We successfully placed 6 bursars who had completed their qualifications into key positions within the organisation. To strengthen our pipeline, we have partnered with the University of the Western Cape and North-West University to support 3 external bursars in completing the BMI Master's Programme in data science. These individuals have all been appointed by Capitec during the past financial year.

Capitec's internal bursary programme aims to further enhance our pool of scarce and critical skills to strengthen succession readiness and provide avenues for professional certification to our team members who may not have had access to formal education in the past. Each year, we receive hundreds of applications from people within our business who want to further their education and their careers. This past financial year, we granted 82 bursaries to our current employees, elevating the total number of internal bursars to 158 (82% black and 55% female).

Finally, we piloted our internal talent mobility programme which aims to offer our non-technical employees, particularly from our branches and business support areas, the opportunity to transition their careers into technology through a 12-month learnership. This learnership is possible through a collaboration with Umuzi (and our own iAcademy) that gives participants the opportunity to study full-time while still receiving their full salary. Upon successful completion of the 10-month learnership, these individuals are placed permanently within a role in the technology division. Our pilot programme targeted 50 internal employees and aims to provide opportunities such as software development, business analysis and software testing.

These programmes highlight our dedication to developing our internal talent and securing Capitec's future. Moreover, these initiatives serve as examples of the positive impact we are having on the lives of people who have the opportunity to be part of them.

Build world-class capabilities

Building a learning organisation

We believe that cultivating a culture that supports and encourages lifelong learning is crucial for sustaining a successful business. We are therefore committed to making learning accessible, affordable and personalised, fostering a learning organisation where individuals take ownership of their development with the support of their leaders. Compulsory or standardised learning programmes are a crucial component of driving a learning organisation. The table below represents the number of learning interventions and activities that our employees attended, both in person and virtually.

	Female		Male		
Learning focus	**Black**	**White**	**Black**	**White**	**Total**
Compliance[1]	106 097	7 231	57 125	11 743	182 196
Functional and technical	15 981	1 047	8 573	1 653	27 254
Management and leadership	2 622	99	1 109	84	3 914
Onboarding	4 701	217	2 227	244	7 389
Other[2]	572 261	24 852	276 697	30 792	904 602
Total	701 662	33 446	345 731	44 516	1 125 355

[1] Includes ethics training, whistle-blowing, gifts and invitations, AML and FICA.

[2] Includes role-based learning and self-initiated learning for development purposes.

Black = African, Indian and Coloured as per South Africa's Employment Equity Act.

In addition to our standard learning programmes, we offer our people the opportunity to undertake learnerships. These learnerships aim to empower our people with practical skills, fostering personal and professional growth, and ultimately enabling them to acquire a formal qualification, providing a solid foundation for a successful and fulfilling career.

The table below reflects the number of new enrolments for learnerships in 2024.

	Female		Male		
Learning focus	**Black**	**White**	**Black**	**White**	**Total**
Core Banking and Financial Services (NQF level 4)	329	4	136	3	472
FETC: Contact Centre Operations (NQF level 4)	4	–	1	–	5
Agile Banking Professional programme (NQF level 5)	287	11	131	4	433
Generic Management in Banking programme (NQF level 4)	40	3	11	1	55
National certificate: User Centred Design (NQF level 5)	1	–	2	–	3
National certificate: Information Technology – Systems Development (NQF level 6)	4	–	14	1	19
Business analysis: Prescriptive Analytics (NQF level 6)	1	–	1	–	2
BCom Business Management (NQF level 7)	1	2	6	2	11
Total	667	20	302	11	1 000

Black = African, Indian and Coloured as per South Africa's Employment Equity Act.

To build future skills and capabilities, we are focused on scaling leadership development and elevating technological, digital and data capabilities throughout our organisation.

Accelerating leadership development through Capitec's leadership academy

In 2024, we expanded the programmes within our leadership academy to cultivate leadership readiness at all organisational levels.

- LeadUP: Our generic management programme focuses on building foundational business and people management skills at all levels of management throughout the organisation. In the past year, 1 114 leaders (69% black) from across all areas of Capitec participated in the 4-day workshop. The workshop emphasises all elements of people management including how Capitec's commitment to diversity, equity and inclusion forms an important part of our transformation strategy within our business. In addition to delivering the standard LeadUP programme, we also delivered a tailored programme for the leaders within our operational environment. 150 senior leaders from our branches attended a workshop in October that focused on enhancing their people leadership capabilities. Topics covered over the 2 days included employee engagement, psychological safety, inclusivity and coaching skills. The plan is to extend this workshop to 850 branch managers in March 2024 and to 160 high-potential assistant branch managers later in 2024, aligning with Capitec's succession development plans.
- Accelerated leadership development programmes: 2 specific programmes are in place to accelerate the development and promotional readiness of high-potential leaders:
  - FutureShift, the accelerated development to senior leadership programme aims to prepare 20 middle-management leaders to transition into senior leadership roles. This programme is presently being piloted after being launched in April 2024
  - The second intake of our bespoke executive development programme (EDP) was in November 2023. This programme involves 16 executives and senior leaders (56% black) and focuses on the accelerated development of leaders within Capitec's executive leadership succession pool. It includes a global immersion experience in Mumbai and Singapore to discover global best practices in business and digital and will conclude in September 2024.

Scaling capability through Capitec's data and technology academy (iAcademy)

The implementation of our iAcademy has gained significant momentum in the past year and has been successful due to the collaborative efforts of our people team and our technology business units. The primary goal is to provide all employees in the data and technology division with opportunities for mastery and growth.

Since its establishment in early 2023, the iAcademy has delivered on the following key initiatives:

- Identification of critical capabilities: 10 critical capabilities in data and technology have been identified as essential for the bank's future success. Learning paths are being designed against these capabilities to empower employees to own their development and to master the skills needed to succeed within these sought-after careers

Year of our people continued

- Learning through certified online learning platforms: Collaborations with online learning platforms, including Udemy Business, Kubicle for Data Skills and Cloud Masters, aim to offer specialised learning paths and career plans. Our people have shown a strong appetite for data and technology-related learning as the below numbers outline:
  - 30 626 hours of learning completed on Udemy Business by 2 014 active learners
  - 1 089 active learners using the Kubicle platform to enhance their data skills
  - 829 lessons completed on Cloud Guru
  - 537 certifications achieved through Capitec Cloud Masters
- Enabling internal mobility and building data citizens: The iAcademy programmes are available to anyone within the organisation that would like to pursue a career in data or technology. Access to learning paths for roles like business analyst, data analyst and test analyst are widely undertaken by individuals who are not currently part of a technology team, encouraging upskilling within data and technology across Capitec. Additionally, it strengthens our strategy of fostering data literacy and building data citizens across the organisation by equipping all employees with fundamental data skills.

Digital learning

Leveraging digital learning platforms remains the most efficient and scalable method for delivering learning content to our people. This year, we improved our people's learning experience through the implementation of the SAP Learning Management System. This system opens a gateway for all employees to boundless knowledge, offering learners the opportunity to engage seamlessly with diverse educational resources in their own time and at their own pace. It fosters continuous growth and unlocks their full potential on a journey of inspired learning.

Below is an overview of the digital content in terms of programmes that were completed during the financial year.

Courses completed	2024
Compliance	**259 646**
Functional and technical	**30 083**
Management and leadership	**3 597**
Onboarding	**7 099**

Keeping the trust of our people

In the year of our people, we aimed to strengthen the trust we have built by driving transformation, building an inclusive culture and elevating our people's ownership for their well-being.

Staying connected to our people

We are shifting our strategy to gain more insights into our people's levels of engagement through more frequent and regular check-ins. We are moving away from conducting our biannual engagement survey to also include monthly pulse checks with our people, ensuring continuous monitoring and responsiveness to evolving trends. Central to this strategy are comprehensive surveys designed to capture key components of engagement, including satisfaction with the work environment, job role fulfilment and opportunities for growth and development. These surveys will incorporate both quantitative metrics and qualitative feedback to provide a holistic understanding of employee sentiment. With a targeted approach to communication, we anticipate a participation rate exceeding 80%, ensuring robust and representative data for informed decision-making and proactive measures to enhance employee engagement and satisfaction.

Driving transformation and inclusion

Our vision is to create an enabling environment that embraces and celebrates diversity and is inclusive so that all people can live their purpose every day. We imagine a Capitec where our leaders drive inclusivity, nurture a real sense of belonging and actively seek out and value hearing the voices of employees by having courageous conversations that lead to psychological safety. We strive to foster an inclusive environment that celebrates and respects the diverse backgrounds and identities of all individuals.

Our inclusive culture is characterised by attaining racial equity and gender balance and creating the required awareness that disability is a form of diversity.

Crucial initiatives that have supported us in driving a culture that is inclusive include:

- The Inclusive Leaders Project which is a leader-led intervention aimed at driving inclusive behaviour using a 360° assessment on diversity, equity and inclusion-specific competencies. To date, 76 senior leaders (including executive and divisional executives) have undergone this programme to better understand their own unconscious biases and to support Capitec's transformation journey around inclusivity
- We value our people's right to freedom of association by maintaining an amicable relationship with the union, SASBO. We acknowledge that 41.1% of our employees are SASBO members. We grant unlimited time off to those who have been selected as shop stewards to attend to their union-related duties. We also afford limited leave days for attendance at union meetings (8 days), training (5 days) and union negotiations (6 days)
- The 'ReThink DisAbility' campaign will lay the foundation for Capitec to become a disability confident organisation by ensuring that there is a wide and common understanding of disability and that it is a type of diversity. This year, we launched a training programme for all our employees to raise awareness about the diversity of disabilities. We delved into the definition of disability according to labour laws and provided real-life examples to better understand the various forms it can take. Additionally, we explored the importance of dispelling stereotypes and labels associated with disabilities, emphasising how these perceptions can impact both colleagues with disabilities and those without, fostering a more inclusive workplace for everyone. To date, 97% of our people have completed the introductory awareness training and 79% have completed the training relating to disability labels and stereotypes. This training is still in progress
- We also launched a campaign to encourage our people to share their disability status, aiming to better understand if they had any needs for support. Through this, we discovered 39 more employees with disabilities not previously disclosed. This helps us provide necessary support and accommodations, fostering a disability-friendly environment. Finally, we set out to focus on sourcing opportunities for unemployed youth with disabilities. Through a targeted approach, including a tailored learnership programme, we aim to enhance representation of employees with disabilities and address youth unemployment challenges. Currently, 17 learners are enroled into this learnership (to pilot the learning programme) with plans to recruit more learners in the year to come
- The inaugural Women in STEM (science, technology, engineering and mathematics) events took place in Sandton and Cape Town during August 2023 to celebrate and affirm 'Women@Capitec'. 50 young girls from Katlehong and Joe Slovo, together with their teachers, were invited through the Capitec Foundation to gain exposure to the exciting world of STEM and the myriad of opportunities it presents. The events complemented various other Capitec initiatives we have put in place, such as our internal mobility programme and the iAcademy, to attract and retain female talent in the technology sector as well as to celebrate and affirm some of Capitec's leading women
- The past year saw a renewed focus on eliminating harassment at Capitec with the introduction of a new harassment policy aimed at creating a safer workplace. The anti-harassment training was rolled out to all employees to create awareness and understanding around harassment, the types of harassment and the process for reporting alleged harassment. To date, 98% of our people have completed the first module of understanding harassment, with our second module standing at an 87% completion rate. We continue to monitor the completion progress of these modules among our people as we believe that awareness is the first step to creating a safer workplace
- Achieving transformation, in terms of racial equity and gender balance, is closely monitored through monthly reporting of these statistics to our group EXCO. Our workplace profile submitted to the Department of Employment and Labour in our employment equity report for the required reporting period (1 October 2022 to 30 September 2023) is represented below.

This is as per the reporting requirements set out by the Department of Employment and Labour:

	Male				Female				Foreign nationals		
Occupational levels	**African**	**Coloured**	**Indian**	**White**	**African**	**Coloured**	**Indian**	**White**	**Male**	**Female**	**Total**
Top management	4	—	1	12	1	1	2	2	2	—	25
Senior management	5	7	5	56	11	6	4	22	2	1	119
Middle management	259	191	101	561	175	102	70	225	27	10	1 721
Junior management	762	447	129	314	1 362	586	107	283	10	10	4 010
Semi-skilled and discretionary decision-making	2 278	598	84	106	5 479	1 064	129	127	2	4	9 871
Unskilled and defined	—	—	—	—	—	—	—	—	—	—	—
Total permanent	3 308	1 243	320	1 049	7 028	1 759	312	659	43	25	15 746
Temporary employees	—	1	—	—	—	—	—	—	—	—	1
Total	3 308	1 244	320	1 049	7 028	1 759	312	659	43	25	15 747

Due to internal promotions at top management level during the past year, we have noted a 4% increase in female representation. Gender equity targets have been set for the new financial year to further increase female representation at management levels, with a specific focus on increasing female representation within data and technology.

With a revised employment equity plan and changes to divisional equity targets, our commitment to transformation is unwavering. Our new targets, and the commitment of our senior leadership, will ensure that we increase the representation of females, black employees and persons with disabilities at all levels of management within Capitec.

Empower our people to own their well-being

We believe in empowering our people to take charge of their well-being. By fostering an environment that prioritises and sustains holistic welfare, we build a resilient and cohesive workforce, ultimately driving sustained success for our business.

This year we introduced, or continued to offer, the following support programmes to improve our people's health and happiness:

- We revised our parental leave offering to provide greater flexibility and work-life balance support to all new parents irrespective of whether they are the primary or non-primary caregiver – biological, surrogates and adoptive parents – further fortifying our commitment to building an inclusive culture. We are now including an additional 2 months unpaid leave in our policy so that our people can claim additional Unemployment Insurance Fund benefits
- We enhanced the offerings from our employee assistance providers, Kaelo and AskNelson, to better serve the needs of our people, whenever they require it. Our employee assistance providers offer support on a 24/7/365 basis to all employees, as well as to the immediate family of our people. Their support and counselling services are comprehensive and cover a range of topics such as mental health, stress management, legal and financial advice as well as immediate and responsive trauma support
- Given the current economic instability, we recognise the significant impact of financial stress on our people's mental health and are committed to exploring ways to support them during this difficult time. In addition to extensive financial education and awareness, this year, we launched 2 products to help alleviate the financial burden on our people. These included Capitec's emergency loan and applying for internal credit assistance. During the reporting period, Capitec offered 489 employees an emergency loan during times of distress e.g. a home burning down, and we have assisted 129 employees to manage their debt through our credit assistance programme
- In listening to our employees' need for greater flexibility to maintain a healthy work-life balance, we decided to retain our existing hybrid working arrangement whereby the minimum number of in-office hours required per month is based on the employee's occupational level. Exceptions have been made to allow employees to work remotely on a case-by-case basis and are done in the interest of serving both our people and our business. Flexible working hours are also available to our people as we know that the demands of life do not always keep an 8 – 5 schedule. This supports our high-performance culture.

Capitec's goal is to empower our leaders with the knowledge and skills needed to champion the well-being agenda. We aspire to equip our entire team with the tools and support systems essential for them to take charge of their own well-being journey. By fostering a culture of self-ownership, we aim to inspire everyone to embrace and nurture their personal well-being, creating a resilient and thriving community within our organisation.

Building HR for the future

To deliver on our promise to our people by delivering an exceptional people experience, the people team has undergone a significant transformation in the past few years. This transformation is focused around landing a refreshed HR operating model, elevating strategic capabilities (such as people analytics and strategic people partnering), refreshing our technology and data landscape and establishing a centralised capability for people support.

During the past financial year, we continued our investment in the HR technology landscape that is essential for Capitec's success with the implementation of the following SAP SuccessFactors modules:

Technology	Technical completion
SAP learning management system	23 October 2023
SAP compensation module	March 2024
SAP onboarding, cross-boarding and offboarding module	March 2024
SAP payroll module	June 2024
SAP time module	June 2024

In our relentless pursuit of excellence, we continue to advance our people analytics capabilities to deliver insights and analyses concerning our most precious asset – our people. Our people analytics team continues to enable our HR professionals and leaders to make data-driven decisions by identifying trends, patterns and correlations within employee data, leading to more informed strategies for talent acquisition, retention and development. Our vision is to enhance organisational efficiency by optimising workforce planning and people allocation based on predictive analytics. This commitment to continuous improvement exemplifies our dedication to fostering a workplace that thrives on innovation, knowledge and a profound understanding of the heartbeat of our organisation.

Delivering impact at scale

The focus of the year of our people was to bring to life our 4 employee experience pillars: 'Know Me, Focus Me, Grow Me and Value Me'. These pillars form the foundation for our strategic people initiatives, aiming to improve the lived experience of the people at Capitec.

Through the dedicated implementation of initiatives aligned with these 4 pillars, we have witnessed transformative shifts in the everyday experiences of some of our people. These endeavours have not only enhanced employee satisfaction and engagement but have also fortified the organisational fabric that binds us together.

As we stand on the precipice of the 2025 financial year, our opportunity lies in scaling these impactful initiatives to reach new heights and larger audiences. By amplifying our commitment to these pillars, we aspire to create an even more profound and widespread impact, ultimately changing the lives of more individuals within our ever-growing family. Together, we embark on a journey of exponential growth, fuelled by the collective power of our shared values and dedication to the well-being and fulfilment of each member of the Capitec team.

Protecting our planet

Capitec is committed to doing its part to protect our planet against the impacts of climate change.

We are committed to minimising any negative impacts emanating from our business activities and therefore endeavour to consider climate- and nature-related risks and opportunities as part of our core business strategy.

The board takes ultimate responsibility for ensuring that Capitec operates responsibly and sustainably. The SESCO, a board committee, is mandated by its charter to "monitor the company's activities relating to social and economic development, good corporate citizenship and the environment to promote the collective well-being of society, thereby facilitating the sustainable growth of the Capitec group".

In the 2024 financial year, the following climate-related milestones were achieved:

- Publication of our second stand-alone climate-related financial disclosure report, and our first environmental report which considers both climate-related risks and opportunities, and those pertaining to natural capital (to align more closely with the Task Force for Climate-related Financial Disclosures and the Taskforce for Nature-related Financial Disclosures reporting recommendations) together with this integrated annual report
- Further improvement of our sustainability-related public disclosure by launching a dedicated page on the Capitec website where related policies can be viewed
- Commissioning of lithium-ion backup power solutions throughout our branch and business centre network to reduce our reliance on generators, effectively decreasing our Scope 1 GHG emissions (fuel used to run generators during extended periods of electricity load shedding), enabling us to serve our clients at the high standards that they have come to expect from us, without interruption
- Improvement of the alignment between Capitec's core business strategy and our approach to sustainability
- Further expansion of Capitec's institutional knowledge and skills in the field of sustainability.

Our stand-alone environmental report, and earlier climate-related financial disclosure reports, can be accessed by following the link to the Capitec website: **www.capitecbank.co.za/esg/**.

To start our journey towards science-based target-setting, we continued to improve and standardise our carbon accounting practices and processes during the year, improving the underlying data's accuracy and completeness.

In the coming year, we aim to mature our carbon accounting practices and processes further to enable the setting of meaningful science-based targets and draft an actionable transition plan as soon as reasonably possible.

Waste management

Recycling (kg)		2024	2023	2022
Recycled paper	Employees at our head office and regional offices are encouraged to recycle paper in special paper bins distributed on all floors, as well as special bins for other recyclable material such as glass and tins	**26 726**	12 368	7 838
Recycled tins		**3 447**	731	205
Recycled electronic equipment	Disposed of and recycled by accredited third parties	**17 741**	26 897	27 309

GHG inventory

Carbon footprint (tCO_2e)

GHG Protocol scope	2024	2023	2022
Scope 1: Direct emissions from:			
Fuel used in owned or controlled equipment	**1 546**	475	101
Fuel used in owned or controlled vehicles	**29**	16	19
Air-conditioning and refrigeration gas refills	**996**	859	727
Scope 2: Indirect emissions from purchased electricity:			
Purchased electricity – Eskom	**28 065**	31 284	35 310
Total Scope 1 and 2	**30 636**	32 634	36 157
Scope 3: Indirect emissions from:			
Business travel	**2 068**	2 054	1 866
Product distribution – cash-in-transit	**2 501**	1 935	2 177
Paper usage	**406**	429	336
Total Scope 1, 2 and 3	**35 611**	37 052	40 536
Electricity consumed (MWh)	**28 065**	28 967	32 694

Carbon intensity footprint (tCO_2e)

	2024		2023		2022	
GHG Protocol scope	Per full-time employee	Per m² floor space	Per full-time employee	Per m² floor space	Per full-time employee	Per m² floor space
Scope 1 emissions	**0.16**	**0.01**	0.09	0.00	0.06	0.00
Scope 2 emissions	**1.78**	**0.08**	2.02	0.11	2.39	0.13
Total	**1.94**	**0.09**	2.11	0.11	2.45	0.13

Methodology

We use the following:

- GHG Protocol – Corporate Accounting and Reporting Standard (revised edition), specifically the operational control approach to determine scope i.e. the calculation of our carbon footprint represents Capitec and its 100%-owned and controlled subsidiaries
- Emission conversion factors as published by the UK Department for Environment, Food and Rural Affairs
- The 2020 financial year as the base year.

Assumptions

- Third-party data used in the calculation of the GHG inventory is deemed to be accurate, complete and valid
- Some limited and immaterial instances required the use of averages or estimates based on historical values due to actual data not being available or verifiable.

Targets

Our initial operations target was to reduce, or at least maintain, our Scope 1 and 2 emissions per full-time employee and floor space occupied from our base year (2012). We are of the opinion that using only intensity-based targets is not sufficient. As a firm supporter of science-based targets, Capitec continues its journey towards setting science-based targets, aligned with the goals set by the Paris Agreement. This will enable us to create a meaningful and actionable transition plan to reduce our impact on the environment towards the goal of net zero by latest 2050.

The GHG inventory was not subject to independent third-party assurance.

Contributing to society

Aligned to our purpose of improving the financial lives of our clients, we are committed to the improvement of numeracy and financial literacy of South Africans. We also invest in community well-being and development through our employee volunteer programme and partnerships.

Corporate social investment

Education

Our CSI focus on education continues to grow, with a total investment of R49 million this year (84% of total CSI spending). This includes investment through the Capitec Foundation to support access to quality mathematics education.

Category	Organisation	2024 spend	SDG
Early childhood development	Indaba Institute	R1.4 million	
	Afrika Tikkun Foundation NPC and Think Equal USA Inc	R1.4 million	
Primary school	Gift of the Givers	R0.9 million	4 Quality education
High school	Capitec Foundation	R41 million	
	Calling Education	R0.7 million	
	Gift of the Givers	R1 million	
Other investments <R500 000 per organisation		R2.6 million	

Total education spend

R49 million

Education feature

Calling Education

Calling Education's vision is to develop the most relevant model to provide top-quality education to learners from low-income communities in South Africa. This vision led to Calling Academy, an all-boys high school, being established in 2018 outside Stellenbosch. The early success of the school spawned a co-ed Calling Academy high school, established in Kroonstad in 2022. Together, these schools are educating 490 learners this year with significant annual growth.

Our employee volunteers became involved at Calling Education through several initiatives: from bringing financial education to life, through our Budget Champs game, for 60 grade 8 learners in Kroonstad, to mentoring and coaching learners over a 4-week period leading up to an annual Lego-Robotics competition. We hosted learners from Kroonstad at Capitec's head office where they had inspiring conversations with young professionals who overcame different challenges on their route to successful placement in exciting careers at Capitec. A Capitec employee and fellow MBA students researched and provided a set of recommendations for Calling Education's leadership about ethics, responsibility and sustainability matters.

"Capitec's unwavering support has transcended the traditional, transactional donor and grantee relationship, evolving into a steadfast partnership. Our relationship is characterised by a mutual commitment to advancing the lives of South African youth. This dedication is exemplified through their proactive engagement with our school via their volunteer programme showcasing a profound commitment to building lasting relationships. We are honoured to have Capitec in our corner." – Poloko Mosesi, Growth and Relations at Calling Education

"Apart from providing much-needed funding, Capitec injected energetic competence into other areas of our organisation and drove upwards the aspirations and skills of our learners. Thank you for contributing to our collective calling!" – Werner Cloete, CEO of Calling Education

Contributing to society continued

Other categories

In addition to education, we supported other UN SDGs, including zero hunger, good health and well-being, gender equality and sustainable cities and communities. We also partnered with organisations that offered relief in communities affected by natural disasters.

Category	Organisation	2024 spend	SDG
School community well-being	Community Keepers	R2 million	3
Gender-based violence	Tears Foundation Other <R500 000	R1 million R0.1 million	5
Child and youth care and development	UNICEF	R1.9 million	1, 2, 3, 4
	Other <R500 000	R1.6 million	
Food security	Other <R500 000	R0.4 million	2
Disaster relief	Gift of the Givers	R0.7 million	1, 2
	Other <R500 000	R0.1 million	
Other <= R500 000 per organisation	Other <R500 000	R1.4 million	1, 2, 4, 8, 10

Total spend
R9.3 million

Capitec employee volunteer programme

Capitec employees are passionate about giving back to the communities in which we operate. Employee community involvement is enabled through our employee volunteer programme, which grants each employee 3 volunteer leave days per year. In the past year, 2 006 Capitec employees participated in volunteerism. The equivalent cost to the company of volunteer leave taken by employees was R4.1 million.

We developed our volunteer programme further to encourage widespread employee participation. This involved offering diverse opportunities for engagement at beneficiary organisations and group projects. Our volunteer programme enables us to reach communities across South Africa through volunteers in our extensive operations and branch network.

Our festive season makeover campaign is an example of how we reached communities nationally. The initiative focused on enhancing communal spaces at care organisations. Our volunteers successfully completed 61 projects in November and December.

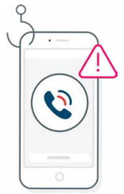
586 volunteers participated in the initiative that benefitted organisations in all 9 provinces.

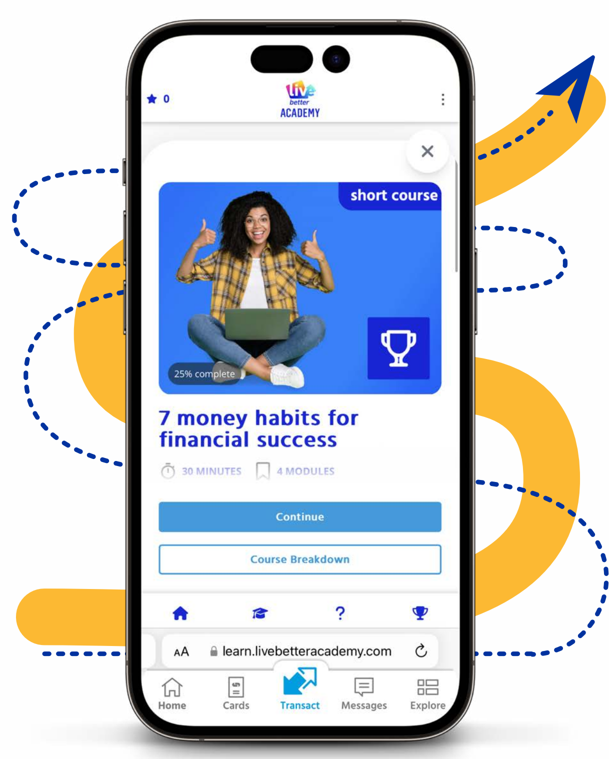
The 2024 back-to-school campaign involved 20 business manager operations-led projects nationally. The approach focused on investing in teaching and learning spaces to create an environment conducive to education. The campaign targeted early childhood development (ECD) centres and primary schools in townships and rural communities.

260 volunteers participated in the campaign that reached 8 ECD centres and 12 primary schools in all 9 provinces.

Consumer financial education

Our financial education mission is to promote a culture of financial well-being for our employees, clients and communities. This mission drives us to create a widely used source of continuous learning and inspiration. We create learning experiences that are ongoing, multi-channel and cover topics that are relevant, top of mind and that speak to the individual needs of consumers.

Name	What	Target audience	Reach
Budget Champs 	Interactive card game	Grade 7 school learners	• 215 schools • 7 provinces • 24 184 learners • 634 Capitec volunteers
MoneyUp Chat	Fully automated chat-based financial education on WhatsApp	Consumers aged 18 to 35	• 144 331 registered users • 115 341 new users in 2024 • 371 568 micro-learning experiences completed • 97 148 unique users completed 1 or more learning modules
Live Better Academy	Online financial education learning platform	Consumers aged 18 to 45	• 585 053 registered users • 152 683 new users registered in 2024 year to date • 89 945 courses completed • 39 997 unique users completed 1 or more courses
Money Safety 	Multi-channel fraud awareness	South African consumers	• 2 above-the-line public fraud awareness education campaigns • Multi-channel approach: – Commercial radio stations including African language stations – Community radio stations – Social and digital media – Client awareness through client engagement channels



Live Better Academy

Our accessible and free online financial education platform contains a range of interactive courses offering users practical personal finance information and strategies. The courses cover fundamental money concepts and topics in the categories of budgeting, saving, investing and debt. The platform is reverse-billed, which means that users do not incur data costs. 39 997 users completed 1 or more of the courses offered.

The next major feature on the platform is scheduled for release in April 2024 and will introduce a refreshed gamification experience with a randomised, automated and instant rewards feature that will reward users for reaching weekly learning engagement targets. We have also commissioned our second independent implementation evaluation to measure the effectiveness of the platform. The evaluation will be concluded in April 2024.

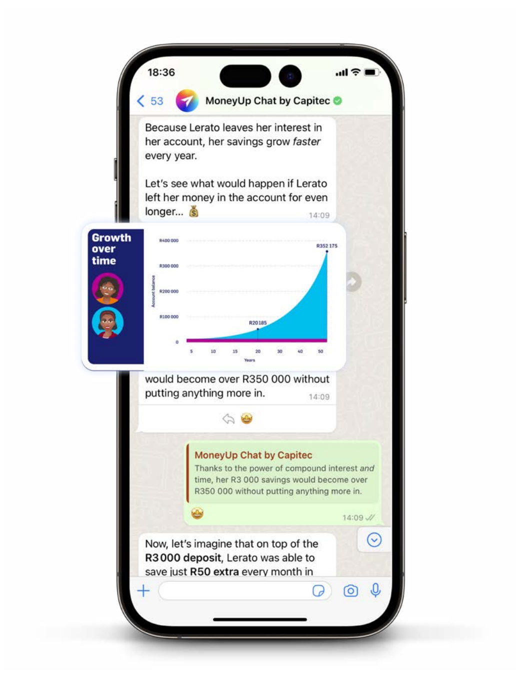
Contributing to society continued

MoneyUp Chat on WhatsApp

Our financial education solution on WhatsApp meets users on a widely used channel and delivers high levels of engagement through a bite-sized and conversational approach. With MoneyUp Chat, users engage with an automated menu-driven chatbot called Moola.

A total of 115 341 new users subscribed in the past year and 78% of users have completed 1 or more micro-learning experiences, which take between 5 and 20 minutes each. An important feature of the solution is the ability to re-engage users through highly structured messages on WhatsApp, introducing new learning experiences or sharing topical money information.

We commissioned an independent evaluation to measure the effectiveness of the platform. The evaluation is currently underway and will conclude in April 2024.



Budget Champs

The Budget Champs programme is anchored around an interactive card game that Capitec employee volunteers facilitate at schools in the communities we serve. Budget Champs was designed to teach essential budgeting and saving concepts interactively in small groups of up to 5 learners. The game aligns with the grade 7 economic and management sciences (EMS) curriculum. Teachers and learners of beneficiary schools receive games and companion guides after sessions to continue the learning experience in the classroom and home environment.

We reached 24 184 learners at 215 schools in 7 provinces with 634 Capitec volunteers and an implementation partner who uses job-seeking teaching assistants as facilitators. Capitec employees receive comprehensive training to facilitate the lessons.

An independent evaluation of the effectiveness of the programme implementation is currently underway and will conclude in May 2024.

Fraud awareness and money safety

The financial education team works closely with Capitec's financial crime and fraud operations teams to educate Capitec clients and the public around fraud and how to bank safely. These teams also collaborate to create ongoing awareness around prevalent fraud and social engineering tactics. Typical themes include investment scams, vishing, phishing, online shopping scams, ATM safety, PIN safety and money mules.

Our fraud awareness communication follows an always-on approach on client engagement channels, the banking app, social media and the Capitec website.

We also delivered 2 fraud awareness campaigns:

- The first campaign started during Money Smart Week South Africa at the end of August 2023 and involved live interviews with Capitec forensic experts on 8 community radio stations in 4 provinces and in 3 languages i.e. English, Xhosa and Zulu. The combined listenership of these stations is 1.6 million.
- A 6-week festive season fraud awareness campaign commenced on 6 November. The campaign was delivered on 3 commercial radio stations, Umhlobo Wenene, Ukhozi FM and Metro FM, 9 community radio stations in 7 provinces and social media. The campaign reached 1.8 million people on social media and 3.6 million people on radio.

Other initiatives

GRAD, GRADnext and MyNext magazines

We sponsored the printing and distribution of 115 000 copies of the GRAD magazine to 17 universities. The magazine targets first-generation, first-year students and contains articles to help them navigate their first year at university. The articles cover topics such as money management, time management, nutrition, study methods and goal setting. GRAD is an initiative by Ruda Landman and Study Trust in partnership with Van Schaik Publishers.

Additionally, we sponsored the printing and distribution of 60 000 copies of GRADnext, a spin-off from GRAD. This magazine targets graduates and career starters and contains topics that help them transition to the next phase of their life.

The latest magazine in the series is MyNext. Aimed at matriculants, MyNext focuses on essential life skills including study methods, stress management and money management. Capitec plans to introduce life skills presentations leveraging MyNext to matriculants nationally in the 2025 financial year through trained employee volunteers in our branch network.

Economics and entrepreneurship video lessons

Thuma Mina Teaching, a non-profit company and public benefit organisation, exists to enrich teaching and learning through captivating video lessons.

Following Capitec's sponsorship of the financial literacy lessons of the EMS Curriculum and Assessment Policy Statement in 2023, we sponsored the translation of the grade 7 to 9 economics and entrepreneurship EMS lessons into video lessons. These video lessons are free to watch on YouTube. The financial literacy EMS video lessons gained significant traction in 2023, with 646 112 total views and an average watch time of 3.8 minutes in the period from 1 January to 30 November 2023. The economics and entrepreneurship lessons are being published iteratively in accordance with the curriculum during 2024.

The Capitec Foundation

The Capitec Foundation operates as a public benefit organisation that is exclusively funded by Capitec. The main purpose of the Capitec Foundation is to increase mathematics uptake in grade 10, enabling a pipeline of strong mathematics scholars that can move into scarce skills spaces through accessing tertiary learning opportunities in South Africa.

In the 2024 financial year, the Capitec Foundation launched the whole school concept in 25 schools nationally. This was a 5-fold growth from 5 schools in 2023. The Capitec Foundation developed the whole school concept in 2023. The concept was an outcome of investing in different programmes which have benefitted teaching, learning and mathematics education in South Africa since 2013. Through numerous action research-type projects and collaborations with education sector partners, many observations were made which informed a multilayer and multifaceted approach to focusing on solving the decline of mathematics in South Africa. The Capitec Foundation has come to understand and appreciate that the challenge is more than solving the mathematics decline, it is about the school and the community at large. The Capitec Foundation viewed 2024 as a critical year to understand how the business model should function to enable the Foundation to fine-tune the conceptual model further and transition to a system that operates with low friction. The aim is to create a replicable blueprint of an implementation framework that can be applied in public schools across South Africa.

The whole school approach is the basis of all programmes being implemented in the Capitec Foundation schools. It is a concept with many moving parts that was designed using insights supported by SDG 4 for quality education and the WHO concept of supporting whole school ecosystems. The Capitec Foundation uses this evidence-based methodology to create efficient and functional schools to improve mathematics in South Africa.

Advantages that make the Capitec Foundation offerings unique

- A highly skilled mathematics team that has experience in creating and implementing community development projects with a learning focus at national scale
- We offer a holistic solution. We address the problems that hinder learning. This has the benefit of helping a learner become a stronger scholar
- A perfect blend of online and in-person delivery helps to integrate technology successfully
- The Capitec Foundation is viewed as a game changer in public schools because we bring technology with support and ongoing review and inputs
- Intimate relationships with all stakeholders and ongoing collaborations and sharing
- We deliver curated programmes that are aligned to stakeholder developmental needs.

Contributing to society continued

Capitec Foundation

Leadership

Stakeholders
Principal
Deputy principal
School management
Team

Future teachers

Stakeholders
Hub teachers
Pre-service teachers
Mentors
Learners
Parents
CF operations team

In-service teachers

Stakeholders
Mathematics HOD
Mathematics teachers
Hub teachers
Alumni

Technology hub

Stakeholders
Learners
Mathematics teachers
Hub teachers
Parents
CF operations team

Well-being

Stakeholders
Learners
Parents
School staff
Hub teachers
Pre-service teachers
Mentors
CF operations teams

Stakeholders and learning spaces

The figure below represents the Capitec Foundation stakeholders in the 5 learning spaces which support the whole school methodology.

True to the complexities of a whole school ecosystem, each of the learning spaces, while having a central focus, may have a few overlapping stakeholders. Learners are stakeholders in 3 of the learning spaces – the technology hub, well-being and future teachers. We are trying to involve parents more by creating some learning opportunities for them face-to-face and through using different channels of communication. You will see that parents appear as stakeholders wherever learners appear.

Technology intervention for learners

In the 2024 financial year, the Capitec Foundation installed 20 new hubs in 20 schools. We piloted 2 complementary platforms to maximise meeting the needs of the learners. The online mathematics platforms we have selected provide access to the essential content that needs to be covered to address learning gaps and to assist learners in moving forward with their mathematics.

As a means of optimising access to the technology hub at our schools, we have trialled the appointment of a full-time, qualified mathematics teacher as a technology hub teacher so that grade 8 and 9 learners can access the online mathematics platforms as part of their school day. We believe that by having a dedicated mathematics hub teacher situated at a school, we will achieve optimisation of the hub and integration of the learning gap strategy into the teaching of mathematics at the school during school hours. With the additional exposure that a full-time hub teacher provides, we are expecting to achieve greater transformation in mathematics performance at schools.

UN SDG 4 – Quality education

The Capitec Foundation ensures equitable and quality mathematics education and promotion of lifelong learning opportunities for all stakeholders in the Capitec Foundation whole school ecosystem. The table below illustrates the Capitec Foundation's alignment to the sub-goals and cross-cutting UN SDGs.

Sub-goal	Action	Stakeholder	Programmes offered
Target 4.1: The Capitec Foundation schools offer free and equitable access to mathematics and relevant technology skills beyond what is offered in the school systems. This leads to achieving learning outcomes in mathematics education in high school	To prepare learners holistically for the Fourth Industrial Revolution, we provide access to a fully functional technology hub to enrich mathematics learning. We man hubs with a fully qualified teacher. We support learners with skills that enable them to be confident learners	• Learners	• **Capitec Foundation tutorial sessions** Development of content for subject choice, career and further study areas to be accessed on the learning management system
Target 4.4: The Capitec Foundation provides personal and professional development for stakeholders in a whole school ecosystem. The Capitec Foundation also targets the development of pre-service teachers at universities to develop skills that will enable them to be leaders in mathematics education	We offer several programmes with our partners. They are as follows: 1- and 3-year leadership programmes; in-service and pre-service mathematics teacher development courses; and parent, teacher and learner life skills programmes	• School principals	• UCT Leadership Programme • Citizen Leader Lab Partners for Possibility Programme
		• School management teams including mathematics department heads	• Citizen Leader Lab School Management Team Leadership Programme
		• Mathematics teachers	• Wits Grade 8 to Grade 11 Transition Mathematics 1 • The Capitec Foundation runs programmes on content and how to integrate online when teaching mathematics
		• Technology hub teachers (novice teachers)	• Capitec Foundation Personal and Professional Development • Capitec Foundation Mathematics Pedagogical courses
		• Pre-service teachers • Mentors • Parents	• Capitec Foundation Personal and Professional Development • Capitec Foundation Mathematics Pedagogical courses • Coaching skills • Capitec Foundation Parent Information on study skills for children

Contributing to society continued

Sub-goal	Action	Stakeholder	Programmes offered
Target 4.7: The Capitec Foundation has a strong well-being focus to support teaching and learning. The programme cuts across all our stakeholders in the whole school ecosystem. The programmes promote a culture of positive thinking, growth mindset, collaboration and respect for each other	The programmes are: • Coaching skills for mentors and Capitec Foundation staff • Peaceful classroom and home discipline • Growth mindset and study skills • Teacher motivation workshops • Financial education for all stakeholders	• Learners	• Elevate study skills workshops. Capitec Foundation integration of Elevate material onto learning management system
		• School staff	• Peace Discipline, Elevate Motivation and Mindset
		• Novice hub teacher	• Peace Discipline workshops • Elevate Motivation and Mindset • Elevate Exit Programme • CV and Interview skills • Financial education
		• Pre-service teachers	• Peace Discipline workshops • Elevate Mindset and Motivation and Time Management • Elevate Exit Programme • CV and Interview skills
		• Mentors	• Peace Discipline workshop
		• Parents	• Peace Discipline Elevate Motivation and Mindset online
Target 4.a: The Capitec Foundation has learner safety as a foremost priority. We create a safe environment and outsource skilled educators that are well trained to provide this. We carry out criminal checks to ensure no harm comes to learners while in our programmes	The Capitec Foundation renovates classrooms that are repurposed as modern technology hubs within the school which provide a safe and supervised space within which learners can focus on their mathematics learning	• Learners	• Programmes in safe technology hubs • Saturday tutorial sessions are offered in safe environments at schools
Target 4.c: By increasing pre-service teacher skills, they will be better prepared to cope as newly qualified mathematics teachers in South African schools and stay within the education system	Through participation in the pre-service teacher tutorial programme, pre-service teachers develop additional skills and confidence, exiting their studies with improved quality of their teaching	• Pre-service teachers and novice teachers	• Capitec Foundation Personal and Professional Development • Capitec Foundation Mathematics Pedagogical courses

Cross-cutting UN SDGs	
Goal 2 – Zero hunger: End hunger, achieve food security and improved nutrition and promote sustainable agriculture	Many children come to school hungry. A hungry child cannot learn. We provide meals for learners and pre-service teachers participating in the programmes
Goal 3 – Good health and well-being: Ensure healthy lives and promote well-being for all at all ages	We provide healthy meals and focus on providing support for mental well-being through the learning well-being programmes we run in a whole school ecosystem. These programmes focus on positive thinking, building self-esteem and motivating learners

Reach in the 2023 school year

Leadership	
81 leaders developed – influencing more than 300 000 people in 40 school communities nationally	
In-service teacher development	
250 in-service teachers developed having a direct impact on 125 000 learners	
Capitec Foundation schools	
Whole school implementation	25
Online learners	8 301
Grade 8 tutorial learners	608
Grade 9 tutorial learners	120
Pre-service teachers	61
Mentors	18
Well-being	
Meals served at schools	141 441
National stakeholder events	160+
Well-being workshop attendance	
Learners	6 030
Parents	1 646
Teachers	356
Technology hubs	
Installation of technology hubs with Wi-Fi and projectors	25
Devices installed (with USB backup and charging trolleys)	1 013
Online courses developed	50

Our contribution to financial inclusion

We are committed to making financial products and services accessible and affordable for all, irrespective of gender, race, age, financial status, health condition or impairment, geographical location or any other potential barrier. We do this through our expansive national branch and cash device footprint, our call centre and digital transaction channels. Using these channels, previously underserved (those with no access to financial services) or unbanked (those who do not use financial services, despite having access) groups can get access to our array of product offerings and VAS, either face-to-face or telephonically through our well-trained branch and contact centre staff, or remote means.

Our commitment to financial inclusion is supported by a robust business strategy focused on:

- innovation and the expansion of the range of financial products and services we offer
- tailoring delivery methods to create easy access to financial products and services based on existing and potential client needs and preferences
- promoting financial education to improve the financial literacy of society
- establishing policies and procedures to prevent overindebtedness of especially low-income groups
- implementing complaint mechanisms that are easily accessible to clients
- training our staff to prevent aggressive sales techniques and disrespectful treatment of particularly vulnerable groups.

A few examples of how we operationalise this commitment are as follows:

- A dedicated emerging markets team, working to serve the informal trade sector
- Purpose lending for home improvements, education (school), motor vehicles, medical expenses and alternative energy solutions
- The Capitec Connect mobile service with a costing structure that is simple, transparent and affordable, and where prepaid airtime, data, minutes and SMSes do not expire
- Our Live Better rewards programme that offers cash back and discounts when clients spend at our partners (terms and conditions apply)
- Incentives to save through Live Better Round-up and Interest Sweep features
- Remote onboarding, removing the need to come into a branch to open an account or take up a new product, making it more accessible and convenient, especially for groups with transport challenges or living in rural areas
- Clients earn interest on a positive balance on their main transactional accounts
- Unsecured credit for individuals who do not have any collateral they can post to obtain loans
- Low-cost savings options for individuals who cannot deposit large sums at a time but can still earn interest from the very first rand they deposit.

Contributing to society continued

Our contribution to transformation

We promote human rights

Capitec recognises that, as a financial institution, we have the potential to impact human rights, both through our own activities and those of the parties we do business with. We are therefore committed to respect human rights both in accordance with relevant local legislation and policies, but also internationally accepted standards, including the UN guiding principles for business and human rights and the international labour organisation.

Human rights are rights inherent to all human beings, regardless of race, religion, ethnicity, nationality, language, disability, sexual orientation, gender, gender identity, gender expression, marital status or other arbitrary means. Our commitment therefore reaches across various categories, including human trafficking, modern slavery, forced labour, child labour, freedom of association, the right to collective bargaining, equal remuneration, discrimination and, in particular, vulnerable groups (our own employees, including contractors while under our supervision, women, children, migrant workers, people with disabilities and local communities).

The ultimate responsibility for ensuring adherence to our human rights policy lies with our board. The board delegates authority to relevant subcommittees and management committees such as the SESCO and the sustainability committee.

Senior management has the responsibility of overseeing policy implementation and ensuring that any alleged breaches are investigated and remediated.

Non-compliance with our human rights policy by any employee or contractor while under our supervision will be subject to disciplinary action. Any transgressions against our human rights policy, which could reasonably have been expected by Capitec, by suppliers, service providers and other business partners will result in either disassociation from those who committed the abuse, or Capitec applying the necessary influence to assist in correcting this behaviour and to ensure the implementation of appropriate remedial action.

We are committed to the transformation of the financial sector in South Africa

Transformation is a critical driver of economic growth. To this end, we adhere to the transformation requirements and targets as set out in the amended Financial Sector Code, which actively promote a transformed and globally competitive financial sector. This contributes to the establishment of an equitable society by providing accessible financial services to black people and by directing investments into targeted sectors of the economy.

Our most recent verification completed confirmed the bank's B-BBEE status as a Level 2 contributor.

Embedding diversity and inclusion

We continue to make progress with our diversity and inclusion initiatives and have facilitated inclusive leadership workshops with management.

Socio-economic development

We invested R104.7 million towards socio-economic development and consumer education.

Empowerment financing

We fulfil our empowerment financing objectives by providing funding for affordable housing and black small and medium enterprises, consistently outperforming the sectoral allocated target.

Enterprise and supplier development

We have invested in excess of R329.5 million in enterprise and supplier development through Imvelo Ventures, our joint venture with Empowerment Capital.

Access to financial services

We provide access to affordable financial products and services that are easily accessible through our branch network, call centre and digital channels. Through these channels, previously disadvantaged areas continue to be the beneficiaries of our efforts to make financial services accessible to all racial groups, people living with disabilities and to areas of low-income households. We continue to see an increase in clients using remote banking services.

Summary of Capitec Bank's B-BBEE scorecard

	Calendar year	
Element	**2023**	**2022**[(1)]
Ownership	**23.53**	22.63
Management control	**10.95**	10.96
Skills development	**15.13**	15.00
Preferential procurement	**15.79**	16.33
Socio-economic development and consumer education	**5.54**	5.39
Enterprise and supplier development	**11.00**	11.00
Empowerment financing	**14.32**	12.00
Access to financial services	**11.79**	11.79
Total points	**108.05**	105.10

[(1)] *The 2022 figures were updated with the final scorecard figures.*

The B-BBEE scores for the 2023 calendar year are currently in the final stages of the verification process, with a probable Level 1 contributor outcome.

Social, ethics and sustainability committee report

The SESCO monitors the group's activities in relation to:

- social and economic development
- corporate citizenship
- the environment, health and safety
- consumer relations and consumer protection regulation
- labour and employment relations
- sustainability practices.

The committee functions within the scope of an annually reviewed board-approved charter and meets twice a year. A record of meeting attendance can be found on **page 74**.

The members of the SESCO are:

- Cora Fernandez (independent non-executive director and the chairman)
- Nadya Bhettay (independent non-executive director)
- Stan du Plessis (independent non-executive director)
- Ismail Moola (executive: risk management).

Read more about the committee members' qualifications and experience in their profiles on **pages 79** to **82**.

The following individuals attend the SESCO meetings as standing invitees:

- executive: human resources
- head of operational risk
- group company secretary
- head of CSI
- executive: insurance
- heads of compliance (Capitec Bank and Capitec Life).

The chairman may invite such executives and senior managers as appropriate to attend and be heard at meetings of the committee.

Key focus areas

Social and economic development	Human rights – **page 64** Zero tolerance for fraud and corruption – **page 93** Employment equity – **pages 43** to **51** B-BBEE – **page 65**
Corporate citizenship	Social responsibility – **pages 54** to **65** Our business model – **pages 24** and **25**
The environment, health and safety	**Pages 52** and **53** Refer to the environmental report at **www.capitecbank.co.za**.
Consumer relations and commitment to consumer protection laws	**Page 97** The committee is satisfied that appropriate systems and internal controls are in place to facilitate compliance with relevant legislation and prevailing codes of best practice.
Labour and employment	**Pages 43** to **51**

Planned areas of focus for the 2025 financial year

- Wider economic transformation
  - Transformative impact of SME business banking
  - Financial wellness and financial literacy
- Client satisfaction metrics and treating clients fairly objectives
- Diversity and inclusion.

Report

Based on the reports submitted to the committee and discussions with management, the committee is of the view that appropriate policies, systems and internal controls are in place to promote ethical conduct, good corporate citizenship, environmental consciousness, fair labour practices and sound consumer relations.

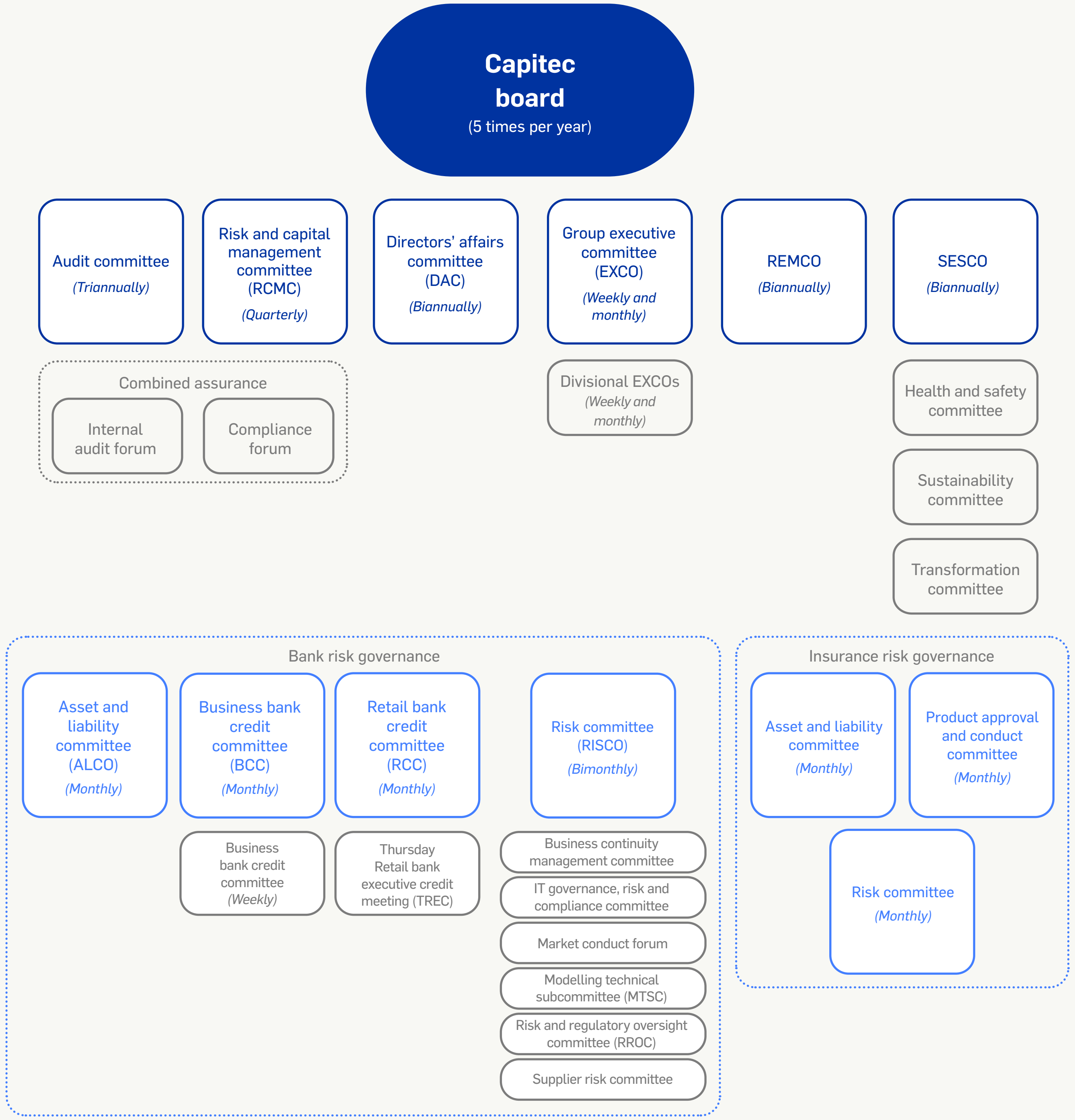
The committee is of the opinion that the group complies, in all material respects, with legislation and regulations relevant to the committee's mandate. The committee is satisfied that it has fulfilled its responsibilities in accordance with its charter for the year and confirms that there were no instances of material non-compliance to disclose.

Cora Fernandez
Chairman of the SESCO

22 April 2024

Corporate governance

Our board sanctions the strategic direction of the company and oversees the implementation of the approved strategy and fulfilment of the organisation's purpose. We demand a high standard of governance, ethics and integrity in our business practices and in dealing with stakeholders.



The directors of Capitec confirm that Capitec has complied with its memorandum of incorporation and the Companies Act.

We applied the King IV™ principles, explained our arrangements on our website and have made the related disclosures in this report. The online register in the investor relations centre on **www.capitecbank.co.za** contains a summary and references.

Our risk management approach and arrangements are set out in the risk management report from **page 83**.

Maintaining an ethical culture

We do business responsibly and ethically and treat our clients fairly. Ethical banking involves being conscious of how our banking practices affect society and the environment.

Our working environment demands high ethical standards and our rules apply equally to all, regardless of position. Ethical practices pervade our business dealings and our interactions with stakeholders. Our leadership team is committed to the continuous enhancement and maintenance of an ethical culture.

Our ethics framework, supported by a range of policies that guide employees on ethical conduct, sets ethical standards to promote consistency in behaviour across all levels of employment. These policies are available on the company's intranet.

Employees are encouraged to live the Capitec Way behaviours: to put the client first, act with energy and take ownership. Ethical conduct is driven by daily behaviour and manifests in our individual and collective actions and decisions. This is done by challenging upwards and downwards to ensure robust decision-making and by reporting suspicious behaviour to management. Employees can also use Tip-offs Anonymous – the contact details are on the company's intranet.

The SESCO monitors compliance with ethical practices and the implementation of the ethics and anti-bribery and corruption programmes. No material ethical and no bribery and corruption breaches were reported this year. The committee's report can be found on **pages 66** and **67**.

Measuring good performance

The Capitec Way is to create ownership and use this as a measurement to facilitate improved performance.

Management identifies issues on a timely basis at twice-weekly group EXCO meetings and acts accordingly. Our board approves the business plan for each year and tracks performance against key indicators at each board meeting.

Our performance track record supports this; we have been creating value for our stakeholders since Capitec was established in 2001.

Ensuring effective control

Best governance practice and management requirements direct us to implement control measures and report accordingly. The board is ultimately responsible for effective control through its committee structure and approved policies, supported by the management operating system (MOS) and the collaborative risk, compliance and internal audit functions.

Our ability to identify the correct data through the implementation of RDARR, and report accordingly to the respective board committees, provides the board with the comfort that they have oversight of data that they can trust.

Our MOS offers an integrated review system to manage objectives, business plans, budgets and risk. The MOS measures operational and resource efficiency at all levels of the business. This supports effective decision-making based on accurate and realtime data.

Maintaining legitimacy

To strengthen our drive to improve people's financial lives and make banking better, we foster strong relationships with all stakeholders. We interact with regulators to find industry solutions and meet with investors to help them understand our performance. The annual general meeting (AGM) is held in hybrid form and shareholders can attend the meeting in person or virtually. Voting on resolutions is conducted electronically and the results of shareholders' meetings are published on SENS.

In our branches, we greet clients with a smile and perform regular surveys and data analyses to get to know them better. This helps us make banking simple, accessible and affordable. Our management team members spend time in the branches talking to clients. We track complaints and monitor social media to garner insights into what people say about Capitec.

We recruit branch employees from local communities and invest in social initiatives that focus on education and financial life skills.

The DAC is tasked with monitoring corporate governance. The key focus for the past financial year was ongoing refinement of the group corporate governance framework and processes, board succession planning, including enhanced diversity, executive succession planning and continued focus on board effectiveness. The DAC has confirmed it is satisfied that the governance structure continues to support adequate and effective processes that are consistent with the nature, complexity and risk inherent in Capitec's business. There were no material breaches during the year.

Responsibility for overall stakeholder engagement resides with the group EXCO which relies on different functions to engage with specific stakeholders. Our stakeholder group remains constant, but the topics of engagement change every year based on our operating environment and client offering.

Tax policy

We are fully committed to complying with South African tax laws and regulations. The CFO, an executive director of the board, is accountable for tax accuracy, completeness and transparency. Our tax policy is based on:

- being a responsible corporate citizen by complying with tax legislation, and acting with integrity when engaging with tax authorities
- being transparent about taxes paid
- not transferring value created to low-tax jurisdictions or secrecy jurisdictions for tax avoidance, or using tax structures without commercial substance
- undertaking transfer pricing where applicable, using the arm's-length principle
- managing tax risks within risk appetite and in the context of our enterprise risk management (ERM) framework
- ensuring the integrity of all reported tax data.

Our board

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

Our directors have a fiduciary duty to act with care and skill, and to exercise their powers and perform their functions as directors in the best interests of the group. Each director has declared that they undertake to:

- act in good faith towards the company
- avoid conflict between their personal interests and the interests of the company
- in the case of the bank, to place the interest of Capitec Bank and its depositors above all other interests.

Directors are required to disclose matters that may potentially result in a conflict of interest. A comprehensive declaration of interest is circulated for sign-off by each director at all board meetings. No director may offer a service, product or cooperation agreement to the group on behalf of any organisation outside the group in which they have a direct or indirect interest at a meeting of the board or its committees. Such service, product or agreement may be offered to the management of the company, by the management of the related organisation. If a decision to acquire the service or product or conclude the agreement is ultimately referred to the board, interested directors are required to recuse themselves.

The fitness and propriety of directors is reviewed annually through a process of formal background screening and declarations by directors in this regard.

Directors, the group EXCO and all employees with access to key management reports have to obtain clearance to trade in Capitec shares. The chairman of the board, the CEO, CFO and the group company secretary are mandated to authorise clearance to deal in Capitec shares.

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

Our board takes responsibility as the governing body of Capitec and is satisfied that it fulfilled its responsibilities in accordance with its charter, King IV™, the JSE Listings Requirements, the Companies Act and applicable statutory and regulatory requirements for the financial year.

How the board functions

Through appropriate corporate governance, an acceptable risk profile is established within which efficiency and profitability can be maximised.

The board remains ultimately responsible for ensuring that its approved strategy is implemented, and that the group's purpose is fulfilled. The board also accepts its responsibility to ensure that risks are adequately identified, measured, managed and monitored and that good governance is maintained. The board discharges its duty through policies and frameworks supported by 6 board committees.

Comprehensive management reports are distributed to the board for each meeting and relevant reports are distributed to the committees to facilitate in-depth perspectives. These reports include industry matters and external factors that may affect us. The annual board conference addresses pertinent matters and future strategy.

The group EXCO, together with a number of subcommittees, manages the business through a system of internal controls that function throughout the group. This promotes the awareness of risk and good governance in every area of the business and instils a culture of ethical behaviour and compliance.

Our board-approved delegation of authority framework consists of charters and policies. Detailed roles and responsibilities, as well as authority limits, have been assigned to individuals and committees. The board has confirmed, based on the recommendation of its subcommittees and reports provided by management, the internal and external auditors, and policies and procedures implemented at Capitec, that it is satisfied that internal controls are appropriate and that the duties of employees are sufficiently segregated to support the strength of internal controls. High ethical standards are entrenched with a top-down approach, ensuring that business practices are conducted in a manner that is above reproach. The board is satisfied that it has fulfilled its responsibilities in accordance with its charter.

Board composition and diversity

We follow a 1-tier system and our board consists of independent non-executive, non-executive and executive directors.

We support the principle of diversity to enhance the board's perspective. The composition of the board is reviewed continuously by the DAC to facilitate an appropriately diverse and effective board, including a relevant range of expertise, experience, industry knowledge, age, gender, race and cultural background. The target for independence on the board is at least 50% of the board. The majority of the board comprises independent non-executive directors. An independent majority enhances independent and objective decision-making, facilitates enhanced accountability and broadens the insight of the board. It minimises the potential for conflict of interest to arise and ensures that the best interests of stakeholders are considered. The DAC set the following targets for gender and race diversity in accordance with the board policy on the promotion of broader diversity. The enhancement of broader diversity at board level will continue.

	Actual 2024 %	Actual 2023 %	Target 2024 %
Race diversity	**33**	31	40
Gender diversity	**33**	23	35

Our board is comfortable that the collective expertise and diversity in culture and experience of the board are appropriate to oversee the implementation of the approved strategy and to facilitate long-term value for stakeholders.

Directors are appointed according to a policy that prescribes a transparent process. The DAC, under leadership of the chairman of the board, presides over board appointments. When specific skills are required, candidates are identified and recommended to the full board for endorsement. In terms of the approved current board appointment policy, the candidate must have appropriate time available to prepare for meetings. If the individual is in full-time employment, then he/she may sit on a maximum of 2 listed company boards, in addition to Capitec's, on condition that he/she will be able to spend the required time to prepare for Capitec board meetings. With the board's sanction, and subject to the Prudential Authority (PA) not objecting to the appointment, the individual is approached, and subject to passing fit and proper assessments, is formally appointed. Shareholders have the opportunity at the AGM, following the appointment of a new director, to endorse or veto the appointment. The board appointment policy is available on the company's website at: **www.capitecbank.co.za/investor-relations.**

Newly appointed board members are formally inducted through a programme comprising reading, discussions with the various divisional heads and exposure to bank operations, such as visits to call centres and branches. Additional training is presented to directors in-house on an *ad hoc* but ongoing basis. Training covers topics associated with risk and AML and in the past financial year, the risk topics were IT, cybersecurity and payment systems. Presentations are aimed at enhancing directors' insights into developments at the bank and legislation and regulations that affect the group. In the past year, presentations were arranged to broaden the board's insight into technology-related matters. New directors are required to attend the banking board leadership programme, which is presented by the Gordon Institute of Business Science biennially.

The board is satisfied that its composition reflects an appropriate mix of independence, knowledge, skills, experience, diversity and culture, and that the board and its respective committees function effectively.

The board nevertheless continuously reflects on its composition to ensure it has the required qualities to facilitate appropriate supervision.

Corporate governance continued

The skills matrix below summarises the qualifications and experience of our directors.

Director	Qualifications	Independent/ Non-executive/ Executive	Board tenure (years)	Finance	Risk manage-ment	Banking industry	Insurance industry	Tech-nology	ESG exper-tise	Corporate memory	Mobile	Credit	Health and safety
NF Bhettay	BBusSci (PGDA), CA(SA)	Independent	<1	○	○			○	G		○		
SL Botha	BEcon (Hons)	Independent	4.8	○	○	○	○		SG		○		
SA du Plessis	BCom (Mathematics), PhD (Economics), AMP	Independent	3.5	○	○			○	EG				
CH Fernandez	BCom, BCompt (Hons), CA(SA)	Independent	3.5	○	○		○	○	G				
N Ford-Hoon	BCom (Hons), CA(SA)	Independent	<1	○	○		○		SG		○		
GM Fourie	BCom (Hons), MBA	Executive	10.5		○	○	○	○	G	○	○	○	○
GR Hardy	BCom (Hons), CA(SA)	Executive	1.5	○	○	○	○		G			○	○
MSdP le Roux	BCom LLB, DCom (hc)	Non-executive	24		○	○	○		G	○		○	
V Mahlangu	BSc (Chemical Engineering), MBA	Independent	3.5	○	○				G				
PJ Mouton	BCom (Mathematics)	Non-executive	16.5	○	○	○	○		G	○		○	
CA Otto	BCom LLB	Non-executive	24	○	○	○	○		G	○		○	
JP Verster	BCompt (Hons), CA(SA), CFA, CAIA	Independent	9	○	○		○		G		○	○	

E = Environmental
S = Social
G = Governance

Read more about the diversity in skills and experience of our board members in the profiles from **page 79**.

Board performance and independence evaluations

The effectiveness of the board is managed throughout the year and any areas of concern are addressed as they arise. The board and its various committees are assessed annually in accordance with a formal board evaluation policy. Individual directors' performance is evaluated by the chairman of the board on an ongoing basis throughout the year to ensure that requisite action is taken timeously when necessary.

In the past year, board performance was assessed by an independent external party and the results of the appraisal confirmed that the board and its committees are competent and effective. The results of the assessment further indicated that the board composition is appropriate and that it and its committees function well. The chairmen of the board and respective committees are efficient, ensuring effective meetings and appropriate oversight of relevant matters. There is appropriate debate of relevant matters at the board and board committee meetings. The tone at top executive management level is appropriate and aligned with the board's expectations. There is a healthy and transparent relationship between the board and the CEO with a formal delegation framework that effectively separates duties and responsibilities.

The board is satisfied that the evaluation contributes to continuous improvement of the board's performance and effectiveness. The evaluation confirmed that the chairman of the board fulfills her role as chairman of the board appropriately and that her leadership of the board is valued.

The independence of non-executive directors and factors that may impair their independence are evaluated annually against a list of specified characteristics defining independence. The board is satisfied that the independence of Santie Botha, Nadya Bhettay, Stan du Plessis, Cora Fernandez, Naidene Ford-Hoon and Vusi Mahlangu is unfettered and there is no relationship, association or interest that affects their independence or that may unduly influence or cause bias in their decision-making.

Jean Pierre Verster will retire from the board at the AGM scheduled for 31 May 2024 due to having reached the prescribed 9-year technical limitation for independence on 23 March 2024. The board is confident that there is no relationship, association or interest that affects his independence, that his objectivity remains unfettered and that he continues to be unbiased in his oversight and decision-making.

The average tenure of the independent non-executive directors is 2.6 years, and for the non-executive directors it is 18 years.

At every AGM, at least a third of the independent and non-executive directors of the board retire by rotation, but they are eligible for re-election taking into account past performance and contribution. Each director appointment or reappointment is conducted by a separate vote.

The retirement age for non-executive directors is 70 years, subject to the discretion of the DAC, based on the continued contribution of such directors.

Capitec's criteria for independence of non-executive directors are aligned with King IV™ and the more narrow criteria as set out in Directive 4 published by the PA in 2018. A non-executive director will not be considered independent under the following circumstances:

- A direct or indirect shareholding in excess of 5% in Capitec or an executive officer of such a shareholder
- A principal of a material professional advisor or a material consultant to Capitec or Capitec Bank within the past 3 years
- A significant or ongoing professional advisor to, or an internal auditor of the company within the past 3 years
- A significant provider of equity or other sources of capital, or a material provider of funding to a company in the group
- Remuneration, other than standard directors' fees, linked to, or contingent on the performance of the company, such as a share-based incentive scheme
- A member of the immediate family of an individual who falls within any of the aforementioned categories of persons
- An executive director, the CEO or an executive officer of the company at any time during the preceding 3 years
- Service as an independent non-executive director of the company for a period more than 9 years
- Having been the designated external auditor, or a key member of the audit team, directly or indirectly responsible for performing the statutory audit for the company at any time during the preceding 3 financial years.

When considering the independence of a director, the board considers whether there is an interest, association or relationship which is likely, when judged from the perspective of a reasonable and informed third party, to influence unduly or cause bias in decision-making in the best interests of the company.

The chairman

We have an independent non-executive chairman and a lead independent director. The lead independent director's role is determined by the board charter. According to the charter, the lead independent director, among others, provides leadership in situations where the chairman is deemed to have conflicting interests and he leads the performance appraisal of the chairman when the evaluation is conducted internally. A board-approved policy specifies how we ensure a balance of power and authority at board level. No one individual has unfettered decision-making powers. Each director has 1 vote and a majority of votes must be cast in favour of a resolution to approve same. The chairman may not cast a deciding vote in addition to any deliberative vote.

The chief executive officer

Our CEO is appointed by the board. He is responsible for leading the group EXCO in formulating and developing the group objectives and implementing the strategies approved by the board. The roles and duties of the chairman and the CEO are separated.

The CEO chairs the group EXCO, thereby leading the implementation and execution of approved strategy, policy and operational planning. The CEO is accountable and reports to the board on the progress made on the approved business plan at every board meeting.

The REMCO formally evaluates the performance of the CEO against agreed performance measures and targets at least annually and reports on the outcome of the performance assessment to the DAC. The DAC oversees the succession planning for the CEO.

The group company secretary

Yolande Mouton is the group company secretary of the group. The group company secretary acts as a conduit between the board and the organisation and is responsible for board administration, liaising with the Companies and Intellectual Property Commission, the JSE and providing corporate governance advisory services to the board.

Board members have access to legal and other independent professional expertise when required. This is at the cost of the group through the group company secretary. The DAC has expressed its satisfaction with this arrangement.

The DAC reviewed the qualifications, experience and competence of the group company secretary through discussion and assessment and noted that she had performed all formalities and substantive duties timeously and in an appropriate manner. The committee confirmed its satisfaction in all instances.

The group company secretary is not a director of any company in the group and has, to date, maintained a professional relationship with board members. She has given direction on good governance as and when required. The committee is satisfied that she maintains an arm's-length relationship with the board.

Board committees

Apart from the DAC, which is required in terms of the Banks Act, Act 94 of 1990 (Banks Act) to comprise only non-executive directors, the composition of all committees is reviewed annually by the DAC and approved by the board.

All committees comprise at least 3 members, are chaired by independent non-executive directors and include a minimum of 2 independent non-executive directors so as to enable the appointment of a lead independent director under circumstances where the chairman of a committee becomes conflicted on a specific matter or non-independent for a period of time. All board members are welcome to attend committee meetings, although they do not have voting rights in committees of which they are not members.

Attendance of board and committee meetings

The board meets 5 times a year. The average attendance of board meetings for the year was 97% (against a target of 100%). *Ad hoc* meetings may be held during the year as required. A quorum comprises a majority of directors of which at least 50% must be non-executive.

The board is satisfied with the level of attendance of meetings, which enabled it to fulfil its responsibilities in accordance with its charter.

	Board	Audit committee	DAC	RCMC	REMCO	SESCO
Number of meetings	**5**	**5**	**2**	**4**	**2**	**2**
NF Bhettay[(2)]	3	2	2	–	–	–
SL Botha	5	4[(1)]	2	4[(1)]	2	2[(1)]
SA du Plessis	4	5	2	4	–	2
CH Fernandez[(3)]	5	5	2	–	–	2
N Ford-Hoon[(4)]	3	2	2	–	–	–
GM Fourie	5	3[(1)]	–	4[(1)]	2[(1)]	–
GR Hardy	5	3[(1)]	–	4	–	–
MSdP le Roux	5	3[(1)]	2	–	2[(1)]	–
V Mahlangu[(5)]	5	5[(1)]	2	4	2	–
TE Mashilwane[(6)]	3	2	–	–	–	1
NS Mashiya[(7)]	–	1[(1)]	–	–	–	–
DP Meintjes[(8)]	1	1[(1)]	–	–	–	–
PJ Mouton	5	3[(1)]	2	4	2	–
CA Otto	5	5[(1)]	2	4	2[(1)]	–
JP Verster	5	5	2	4	–	–

(1) *Attendance by invitation.*
(2) *Ms NF Bhettay was appointed to the board and as a member of the audit committee on 7 September 2023.*
(3) *Ms CH Fernandez was appointed as chairman of the SESCO on 1 October 2023.*
(4) *Ms N Ford-Hoon was appointed to the board and as a member of the audit committee on 7 September 2023.*
(5) *Mr V Mahlangu was appointed as chairman of the REMCO on 24 July 2023.*
(6) *Ms TE Mashilwane resigned from the board and as a member of the audit committee and the SESCO on 30 September 2023.*
(7) *Mr NS Mashiya resigned from the board and as a member of the SESCO on 31 March 2023.*
(8) *Mr DP Meintjes resigned from the board and as a member of the REMCO and SESCO on 26 May 2023.*

Group executive committee

Composition	Purpose	2024/2025 focus areas
As per **pages 80** to **82** and the 2 annually elected development members. **Quorum** At least 3 of the following: CEO, CFO, executive: risk management, executive: Retail bank and executive: Business bank (quorum members) or replacement members as appointed by the group EXCO, subject to at least 2 being quorum members.	• Conducts operational decision-making • Implements board-approved strategic decisions • Conducts ongoing approvals of an administrative nature **Meeting frequency** Meets twice a week with an extended monthly meeting.	• Be the most trusted financial services provider in South Africa • Superior service experience through the Capitec ecosystem • Enhanced value beyond banking • Elevate the Live Better experience • Be better for our people

Audit committee

Composition	Purpose	2024/2025 focus areas
Independent non-executive directors • JP Verster *(chairman)* • N Ford-Hoon (from 7 September 2023) *(chairman elect)* • NF Bhettay (from 7 September 2023) • SA du Plessis • CH Fernandez **Management attendees** • GR Hardy • GM Fourie • NS Mashiya (up to 31 March 2023) • I Moola (from 1 October 2023) • M Palmieri (compliance) • D Flannery (internal audit) **By invitation** • All directors • External auditors **Quorum** At least 50%, but not fewer than 2 members.	• Considers the combined assurance arrangements with a focus on internal audit, compliance and external audit • Evaluates the adequacy and efficiency of the internal control systems and accounting practices, information systems and auditing processes applied within the group companies in the day-to-day management of the business • Evaluates the going concern status of the group • Considers the continuous independence of the external auditors • Considers the integrity of the financial statements and the sustainability matters forming part of the integrated annual report • Considers reports dealing with the requisite disclosures in the financial statements • Reviews the financial statements for correctness and recommends these to the board for approval • Considers the CEO's and CFO's responsibility statement	• Assessment of the critical accounting estimates and judgements applied by management, especially in terms of IFRS 9 and IFRS 17 *Insurance Contracts* • Monitor the successful transition to the new joint audit firm for the 2025 financial year • Regular engagement with the internal audit function to maintain comfort regarding appropriate financial controls across the group • Continued assessment of the competence and effectiveness of the group finance function, as headed up by the CFO The audit committee is satisfied that it has fulfilled its responsibilities in accordance with its charter for the year.

Refer to the audit committee's report for the year from **page 146**.

Corporate governance continued

Directors' affairs committee

Composition	Purpose	2024/2025 focus areas
• SL Botha *(chairman)* • All non-executive and independent non-executive directors **Quorum** At least 50%.	• Monitors the effectiveness of corporate governance • Deals with matters relating to the nomination of new directors according to a board-approved policy • Evaluates the performance of the board and its committees	• Executive succession planning • Performance of the executive directors • Board continuity, including further improvement in diversity • Board effectiveness • Ongoing refinement of the Capitec group's corporate governance framework and processes given the increasing complexity of the group's business The DAC is satisfied that it has fulfilled its responsibilities in accordance with its charter for the year.

Human resources and remuneration committee

Composition	Purpose	2024/2025 focus areas
Independent non-executive directors • V Mahlangu *(chairman)* (from 24 July 2023) • DP Meintjes *(chairman)* (up to 26 May 2023) • SL Botha **Non-executive director** • PJ Mouton **Management attendees** • GM Fourie • R Butler **By invitation** • MSdP le Roux • CA Otto **Quorum** At least 50%, but not fewer than 2 members.	• Ensures that remuneration policies and practices are established in accordance with the provisions of the Banks Act, Insurance Act, Act 18 of 2017 and regulations • Ensures that practices are observed to attract and retain individuals to create sustainable value for all stakeholders	Refer to the remuneration report from **page 114** for the focus areas. The REMCO is satisfied that it has fulfilled its responsibilities in accordance with its charter for the year.

Refer to the remuneration report from **page 114** for more information on the REMCO's activities.

Risk and capital management committee

Composition	Purpose	2024/2025 focus areas
Independent non-executive directors • SA du Plessis *(chairman)* • N Ford-Hoon (from 1 March 2024) • V Mahlangu • JP Verster **Non-executive directors** • PJ Mouton • CA Otto **Executive director** • GR Hardy **Management attendees** • M Boshoff (insurance) • D Flannery (internal audit) • GM Fourie • NS Mashiya (up to 31 March 2023) • I Moola (from 1 October 2023) • M Palmieri (compliance) **Quorum** At least 50%, but not fewer than 2 members.	• Assists the board in evaluating the adequacy and efficiency of risk and capital management • Monitors risk management systems and processes as well as key risks • The chairman of the RCMC ensures that the committee is efficient and effective	• Credit risk • IT and cybersecurity risk (including system stability and resilience) • Financial crime risk • Impact of the Financial Sector Laws Amendment Act and the introduction of financial loss-absorbing capital and the deposit insurance scheme • Regulatory and legislative developments • Sustainability focusing on climate-related risk • Capitec Life and insurance: impact on the group risk profile and capital position • Operational resilience The RCMC is satisfied that it has fulfilled its responsibilities in accordance with its charter for the year.

Refer to the risk management report from **page 83** for more information on Capitec's risk management.

Social, ethics and sustainability committee

Composition	Purpose	2024/2025 focus areas

Independent non-executive directors
• CH Fernandez *(chairman)* (from 1 October 2023)
• TE Mashilwane *(chairman)* (up to 30 September 2023)
• NF Bhettay (from 1 March 2024)
• SA du Plessis
• NS Mashiya (up to 31 March 2023)
• DP Meintjes (up to 26 May 2023)
 	
Management member
• I Moola (from 1 October 2023)
 	
Management attendees
• KE Barker
• R Butler
• J Rossouw (financial education)
• L Moodley (CSI)
• YM Mouton
• M Palmieri (compliance)
• W Redcliffe (compliance: insurance)
• R Wentzel (operational risk)
 	
Quorum
At least 50%, but not fewer than 2 members.
	• Monitors activities relating to social and economic development, good corporate citizenship and the environment to promote the collective well-being of society, thereby facilitating the sustainable growth of the group
	• Tracks the impact of the group's activities and services, with specific focus on client and employee relations
	• Sets strategic objectives for sustainability and monitors ESG management in the context of the said ESG principles
	• Monitors efficiency and performance of occupational health and safety (OHS) programmes
		• Wider economic transformation
		  – Transformative impact of SME business banking
		  – Financial wellness and financial literacy
		• Client satisfaction metrics and treating clients fairly objectives
		• Diversity and inclusion
		
		The SESCO is satisfied that it has fulfilled its responsibilities in accordance with its charter for the year.

Refer to the SESCO report from **page 66** for the SESCO's contribution.

Ad hoc committees

Large exposures committee

The committee approves credit exposures in excess of 10% of bank capital on an *ad hoc* basis, as may be required.

Investment committee

The committee considers management proposals for equity investments and the acquisition of going concern operations by the group in excess of R50 million.

Our leadership

Our leaders are committed to our purpose and guide our strategy and people. Aligning the interests of all stakeholders serves the best interests of the group.

Non-executive directors

Michiel Scholtz du Pré le Roux (74)

BCom LLB, DCom (hc)

Michiel was chairman of Capitec and Capitec Bank from 2007 until 31 May 2016 when he stepped down. He continues to serve on the boards as a non-executive director. He was the bank's CEO until 2004.

Michiel was appointed to Capitec's board on 1 March 2001 and to Capitec Bank's board on 6 April 2000.

Petrus Johannes Mouton (47) (Piet)

BCom (Mathematics)

Piet serves as a non-executive director on the boards of various companies, including Curro Holdings, PSG Group, PSG Financial Services and Zeder Investments. Piet was previously the CEO of PSG Group.

Piet was appointed to the boards of Capitec and Capitec Bank on 5 October 2007.

Chris Adriaan Otto (74)

BCom LLB

Chris was a founding director of PSG Group, Capitec and Zeder Investments. He still serves on the boards of the latter 2 companies.

Chris was appointed to the boards of Capitec and Capitec Bank on 6 April 2000.

Jean Pierre Verster (43)

BCompt (Hons), CA(SA), CFA, CAIA

Chairman of the audit committee

Jean Pierre is the founder and CEO of Protea Capital Management. He partnered with Fairtree Asset Management in 2016 to launch the Protea range of hedge funds. Previous portfolio manager positions include 36ONE Asset Management from 2010 to 2016 and Melville Douglas Investment Management. Prior to that, he was credit and corporate research analyst at Standard Bank's Global Markets Research division. In 2006, he gained experience as an internal auditor in the retail banking environment after he had started his career in 2005 as a financial manager in the insurance services environment.

Jean Pierre was appointed to the boards of Capitec and Capitec Bank on 23 March 2015. He was appointed to the board of Capitec Life on 26 October 2022. He will retire from the board on 31 May 2024.

Independent non-executive directors

Nadya Fatima Bhettay (50)

BBusSc (Finance), PGDip (Accounting), CA(SA)

Nadya has extensive experience in mergers and acquisitions, strategic implementation and business operations management in the telecommunications and technology industries. She has served as financial director for Vodafone Ireland, chief strategy and business development officer for the Vodacom Group and chief operations officer for Vodacom Business Ventures and Strategic Partnerships. She currently serves on the board of Endeavour South Africa.

Nadya was appointed to the boards of Capitec and Capitec Bank on 7 September 2023.

Susan Louise Botha (59) (Santie)

BEcon (Hons)

Chairman of the boards and the DAC

Santie has vast business experience having started her career at Unilever (worked in both South Africa and the United Kingdom) and then served as executive director at both Absa Bank and MTN Group. She was Chancellor of Nelson Mandela University from 2011 until 2017. Santie will retire as chairman of the boards of both Curro Holdings and Famous Brands in June 2024 and July 2024, respectively. Santie has received a number of awards, including Business Woman of the Year (2010).

Santie was appointed to the boards of Capitec and Capitec Bank as well as chairman of the boards on 1 June 2019. She was appointed as the chairman of Capitec Life on 26 October 2022.

Our leadership continued

Stanislaus Alexander du Plessis (51) (Stan)

BCom (Mathematics), BCom Hons (Economics), MPhil (Economics), PhD (Economics), AMP

Chairman of the RCMC

Stan is chief operating officer and professor of economics at Stellenbosch University. He is a specialist in macroeconomics and monetary policy and has been an advisor to the SARB and National Treasury on macroeconomic policy. He serves on various boards and committees of the university. Previous positions include economist at Prescient Securities and Old Mutual Asset Managers (UK). He is the chairman of the BER governance committee and a past president of the Economic Society of South Africa.

Stan was appointed to the boards of Capitec and Capitec Bank on 25 September 2020.

Cora Hedwick Fernandez (50)

BCom, BCompt (Hons), CA(SA)

Chairman of the SESCO

Cora is a chartered accountant with extensive experience in investment management and private equity. She serves on various boards including Curro, Redefine Properties, Sphere Holdings and Spur Corporation. She also serves on the committees of 27Four Black Business Growth Fund and Allan Gray. She previously served as chief executive: institutional business at Sanlam Investment Holdings, managing director of Sanlam Investment Management and CEO of Sanlam Private Equity.

Cora was appointed to the boards of Capitec and Capitec Bank on 25 September 2020 and resigned from the latter board on 29 November 2022 after appointment to the board of Capitec Life on 26 October 2022.

Naidene Ford-Hoon (56)

BCom, BCompt (Hons), CA(SA)

Chairman elect of the audit committee (1 June 2024)

Naidene has over 25 years' experience, mainly in finance divisions as head of finance functions, ensuring sound governance and accountability. She has extensive experience in the financial services sector. She has served as the group CFO of the SARB and Alexander Forbes Group Holdings, the financial director of AFGRI Financial Services and has served on the board of Telkom SOC. She currently serves on the boards of SA Corporate Real Estate and the Independent Regulatory Board for Auditors.

Naidene was appointed to the boards of Capitec and Capitec Bank on 7 September 2023.

Vusumuzi Mahlangu (53) (Vusi)

BSc (Chemical Engineering), MBA

Lead independent director and chairman of the REMCO

Vusi is the co-founder and director of Tamela. He has extensive experience in finance and investment banking. He serves on the boards of Emira Property Fund, Cure Day Hospitals and Aon South Africa. Previous positions include CEO (and co-founder) of Makalani Holdings, investment banker at Investec Bank and production manager at Afrox.

Vusi was appointed to the boards of Capitec and Capitec Bank on 25 September 2020.

Thetele Emmarancia Mashilwane (48) (Emma)

BCom (Hons), CA(SA), RA, MBA

Emma stepped down from the boards of Capitec and Capitec Bank on 30 September 2023.

Daniel Petrus Meintjes (67) (Danie)

BPI (Hons) (Industrial Psychology), AMP

Chairman of the REMCO

Danie stepped down from the boards of Capitec and Capitec Bank on 26 May 2023.

Executive directors

Gerhardus Metselaar Fourie (60) (Gerrie)

BCom (Hons), MBA

CEO

Gerrie was head: operations at Capitec Bank from 2000 until his appointment as CEO of Capitec and Capitec Bank effective 1 January 2014. He started his career at Stellenbosch Farmers' Winery in 1987 in the financial planning department and was later appointed as the area general manager of KwaZulu-Natal and later Gauteng. He serves on the Mastercard MEA advisory board as well as on the board of Avafin. Gerrie was named the 2019 Business Leader of the Year at the Sunday Times Top 100 Companies Awards.

Gerrie was appointed to the boards of Capitec and Capitec Bank on 20 September 2013.

Grant Robert Hardy (42)

BCom (Hons), CA(SA)

CFO

Grant joined Capitec Bank in 2015. He is a chartered accountant who completed his articles with Deloitte in their financial services team following which he spent 8 years working in the banking sector in the United Kingdom. He has fulfilled various roles in the financial management division at Capitec Bank and was serving as group services financial head when he was appointed as CFO with effect from 1 July 2022.

Grant was appointed to the boards of Capitec and Capitec Bank on 1 July 2022.

Nkosana Samuel Mashiya (48)

MCom (Economics)

Executive: risk management

Nkosana stepped down from the boards of Capitec and Capitec Bank on 31 March 2023.

Group company secretary

Yolande Mariana Mouton (57)

BSc (Hons), MSc

Yolande joined the Capitec group in 2000 and served as assistant company secretary from 2001 until November 2015, when she was appointed as company secretary of the Capitec group.

Group executive committee

In addition to the CEO and CFO, the group EXCO comprises the following members:

Katherine Elizabeth Barker (38)

BCom (Actuarial Science), PGDip (ActSci), Fellow of the Institute and Faculty of Actuaries

Executive: insurance

Katherine joined Capitec on 1 June 2021. Before joining Capitec, she was the head of the life and health business for Southern Africa at Swiss Re. Katherine has 16 years' experience in the insurance and reinsurance industry in South Africa. She has extensive knowledge in micro-insurance, group and individual life insurance pricing and product development and has been accountable for various end-to-end insurance value chain operations during her career. Katherine is a director of Capitec Life.

Rizwana Butler (49)

BSocSc (Hons)

Executive: human resources

Rizwana joined Capitec Bank on 1 March 2021. Over a period of over 20 years at fast-moving consumer goods giant Unilever, she gained experience across both generalist and specialist fields. During her time at Unilever, Rizwana served in a number of local South African roles, regional roles across Africa, the Middle East and Turkey leading talent, culture and organisational transformation. Her most recent appointments at Unilever were as head of HR: Nordics and head of HR: East Europe across 20 countries. Rizwana started her career in 1997 as an HR management trainee at Tavistock Collieries, a coal mine subsidiary of JCI Limited.

Willem de Bruyn (53) (Wim)

BSc (Hons) (Computer Science)

Executive: business development and technology

Wim joined Capitec Bank on 1 November 2014. He was chief information officer at Standard Bank until 2014, responsible for personal and business banking in South Africa and across 18 African countries. He has been extensively involved in retail banking strategy, has international experience in IT management and has implemented large-scale projects during his career. He started his career with Standard Bank as a software developer in 1992.

Karl Rainer Kumbier (52)

BCompt, PGDA, CA(SA), CFA

Executive: Business bank

Karl joined Capitec Bank in 2020 as the executive of the Business bank, following the acquisition of Mercantile where he was the CEO. Before joining Mercantile in 2010, he worked for the Standard Bank group for 9 years in various positions, including provincial director: Western Cape and chief operating officer of Stanbic Bank Ghana Limited.

Graham Roy Lee (49)

BBusSci (Hons), CGMA, MBA

Executive: Retail bank

Graham joined Capitec Bank in January 2003. He has performed a number of leadership roles at Capitec in various divisions including finance, IT, credit, digital and data.

He has over 25 years of experience in financial or technology institutions in 5 different countries; Zimbabwe, the United Kingdom, Australia and Nigeria in addition to South Africa. He started his career in investment banking in Zimbabwe in 1997 before continuing in London with Morgan Stanley International. His career outside of Capitec includes writing financial software and data analytics in Australia and leading a micro-finance bank in Nigeria. He also lectured part-time for the MBA programme of the University of Stellenbosch Business School.

Hendrik Albertus Jacobus Lourens (58) (Henk)

BCom (Hons), CA(SA)

Executive: strategic initiatives

Henk joined Capitec Bank's predecessor in 1999 as head of the branch acquisitions department. He was appointed as Capitec's operations manager responsible for the Northern Cape, Western Cape, Eastern Cape, Free State and KwaZulu-Natal in 2001. He held this position until 2007 when he became the national sales manager. After the incorporation of Mercantile Bank into Capitec Bank, his role was changed to executive: Retail bank and after a restructure of the executive committee, he was appointed as the executive of strategic initiatives, in charge of VAS, business solutions, emerging markets, Live Better and Capitec Connect. Henk started his career with Ernst & Young.

Ismail Moola (46)

BSocSc, LLB

Executive: risk management

Ismail joined Capitec on 1 October 2023. He has more than 15 years' experience in banking and risk management at FNB, where he served as chief risk officer in various segments. Ismail's experience extends to developing risk management programmes for large digital transformation initiatives, technology enablement and embedment of enterprise risk capabilities within various lines of business. He started his career with a strong focus on social justice initiatives, later serving the University of KwaZulu-Natal's School of Law with interest in commercial and intellectual property law. He thereafter occupied the role of legal advisor to the University of the Witwatersrand to further his interest in contract and intellectual property law.

Francois Viviers (41)

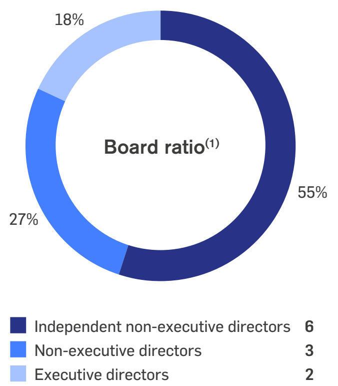
BCom (Hons)

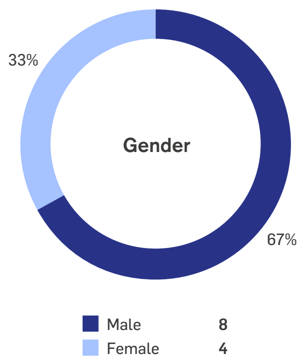
Executive: marketing and communications

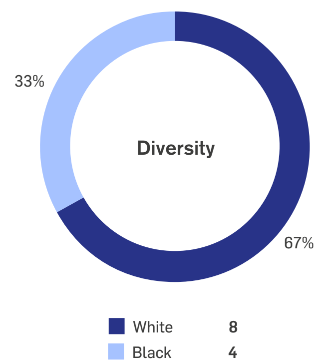
Francois joined Capitec Bank as national brand manager in 2011. He served on the group EXCO as a development member during 2015. During 2015 and 2016, he fulfilled various positions at Capitec Bank, namely head: client relationship marketing and head: marketing and corporate affairs. He was appointed as executive: marketing and communications on 1 June 2016. He started his career at the Shoprite Group where he fulfilled various roles including marketing manager for Shoprite Africa and Indian Ocean Islands.

Development members

There are 2 development seats on the group EXCO to provide senior employees with the opportunity to gain experience at an executive level. The incumbents rotate annually. The seats were filled by Busi Radebe, head: card and electronic payments and Xolani Mhlaba, divisional executive: business banking financial management during the 2024 financial year. The development members for the 2025 financial year are Basani Maluleke, divisional executive: operations and Azhar Said, chief data officer.







(1) *Excluding Mr JP Verster who is deemed, on a technical basis, as non-independent for the 2 months until 31 May 2024 when he steps down from the board.*

Risk management report

Notwithstanding headwinds occasioned by the prevailing macroeconomic climate including heightened supply-side constraints, logistical and power supply challenges, conflicts in Europe and slower-than-expected deflation, our overall risk posture has remained stable across key lines of business including credit, liquidity, transactional revenue and balance sheet growth.

We have sought to improve our risk culture and maturity enabling the business to better navigate novel risk types. We also focused on maturing operational resilience, in particular, our core systems and third-party dependencies. We accelerated our cloud strategy to improve system stability and scalability to support continued growth in transaction volumes and processing capacity. The year has seen improved stability across systems in both Retail and Business bank. Given the growth and scaling up of the Insurance and Business bank divisions, key management focus is being paid to supporting underlying systems and processes required to build out our insurance offering.

Data quality and RDARR remain a core focus for the business. We have sought to improve controls around our data lineage and lift the quality of data in our core data repositories to ensure that quality data flows from source to its final consumption layers.

We were encouraged by the progress report from the Financial Action Task Force (FATF) following South Africa's greylisting in February 2023. In October 2023, the FATF Plenary formally rerated 18 of the 20 deficiencies, based on the progress made by the South African authorities. We continue to focus our efforts on tackling financial crime, improving industry collaboration on fraud risk typologies and leveraging bespoke models to help monitor and prevent client fraud.

Our credit risk portfolio has remained resilient despite a tough operating environment, highlighting improvements in our scored credit capabilities and model resilience, improved collection mechanisms and overall prudent risk-taking across both our Retail and Business bank credit originating processes.

Enterprise risk management

Our ERM policy provides an overview of Capitec's ERM approach by outlining our risk management structure, principles, guidelines, processes and frameworks. This includes defining our risk appetite and tolerance levels, our governance structure and various roles and responsibilities across the business (our 3 lines of defence).

Our risk management structure is supported by departmental risk business partners in the first line to improve risk maturity and support the effective functioning of the bottom-up risk management function, complementing risk initiatives such as strategic risk assessments and risk control self-assessments (RCSAs) as part of our top-down risk management approach through executive engagements. A key benefit of the risk management structure is leveraging first line knowledge and expertise who are best positioned to identify new and emerging risks, especially in areas that require technical expertise, knowledge and experience.

We continue to improve our ERM systems, reviewing our core risk management systems to ensure that they are future fit. Our employees are empowered to report key risks and issues in order to create visibility of risks identified and to assign risk ownership to assess, monitor, mitigate and effectively manage risks within their environment.

We have bolstered our risk awareness campaigns expanding on our existing video-recorded 'tone at the top' series with messages from selected divisional executives and senior management.

The outcomes of effective risk management practices are higher levels of certainty about potential risks and ways to proactively mitigate these, as well as an improved ability for Capitec to achieve its strategic objectives.

Risk management report continued

Our ERM approach supports bottom-up and top-down risk identification from both internal and external sources. The bottom-up approach follows 2 key processes:

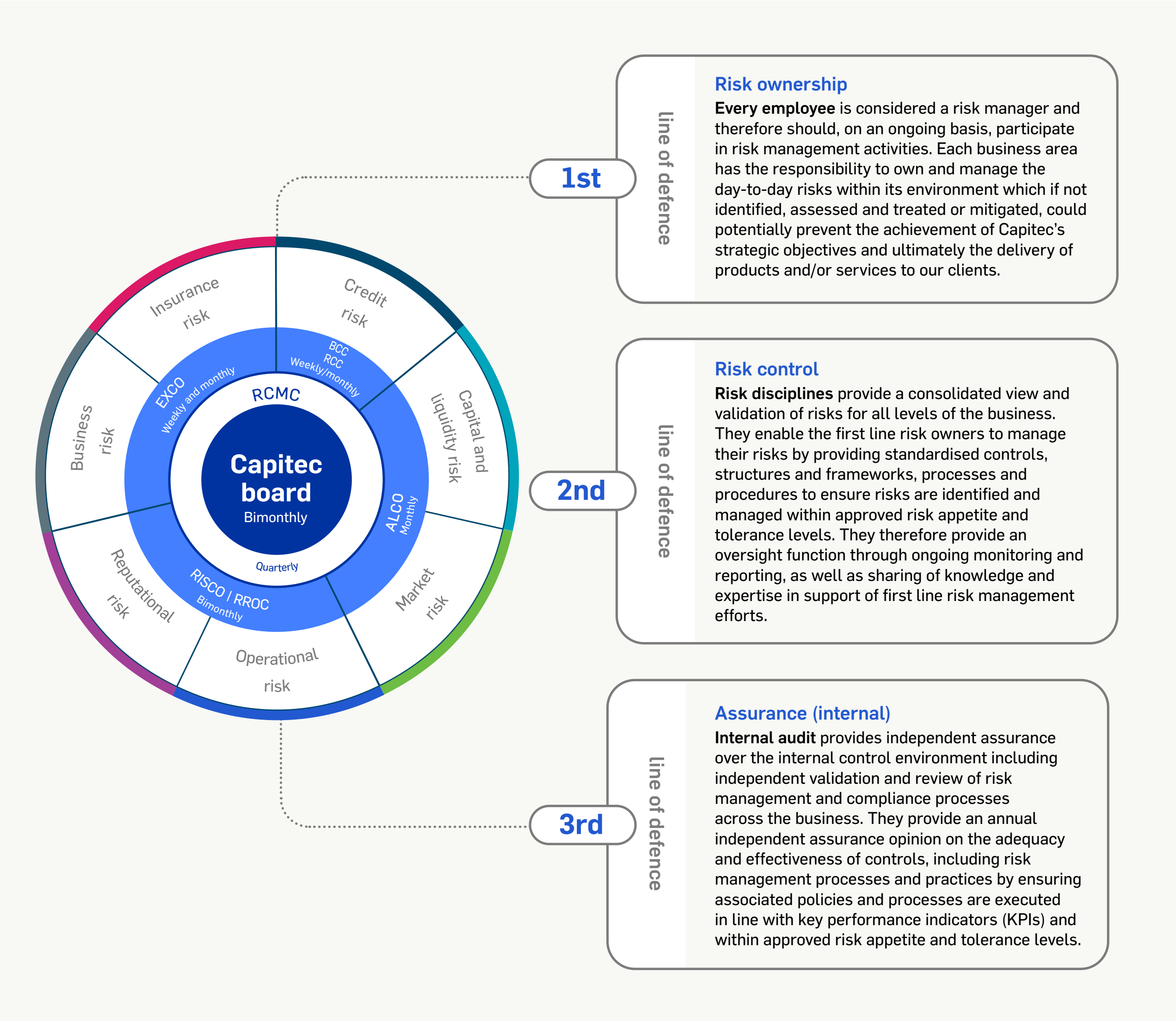
- Ongoing risk identification where risks can be captured through our enterprise risk hub on the company intranet for the enterprise risk register 24/7/365 and via the IT risk business partners for the IT risk register as and when they arise
- Annual business-wide RCSAs through which management and employees identify and assess risks as well as controls within their respective environments.

Combined assurance

Combined assurance brings together the group's second and third lines of defence to identify, manage and monitor key business risks most effectively and efficiently. The audit committee and the RCMC, both board subcommittees, are responsible for overseeing combined assurance.

The head: internal audit is responsible for monitoring and auditing risk management performance on an operational level and reports to the audit committee and administratively to the executive: risk management who is a member of the group EXCO. The head: internal audit as well as the executive: risk management attend both the audit committee and the RCMC meetings.

Following a lines-of-defence model ensures the independence of the risk management functions positioned in the second (those who oversee risks) and third (those who provide independent assurance over risks) lines, from the business lines, being the first line of defence (those who own and manage risks).



Risk culture and maturity

We recognise that risk maturity is a key enabler of effective risk management in the business. It is especially important considering our risk management structure through the strategic positioning of departmental risk business partners in the first line. The business therefore relies on effective risk management practices in the first line.

To further entrench risk maturity, we have policies and procedures governing the review of new or materially changed or enhanced products, services, business activities and technology. These provide guidance on the evaluation of aspects that may potentially introduce additional risks, thereby affecting the business' risk profile. All projects are subject to the Capitec recipe (way of working) which highlights the various processes, stakeholder involvements and risk practices applicable to and during the implementation of initiatives. In addition, the risk management department developed a delivery risk assessment to assist business areas in identifying which risk department to include throughout every part of the project life cycle.

The success of our risk culture efforts is measured through a quantitative risk culture maturity MOS measure based on the results of the assessments conducted by internal audit as part of their annual internal audit plan in each of its departmental audit reviews.

The past few years have seen a marked improvement in our risk culture maturity. During the 2023 calendar year, 568 new risks were logged onto our ERM system, compared to 335 in 2022. We believe this increase is due to the RCSA process encouraging more proactive risk thinking, continuous risk awareness campaigns and the ease of access and use of the ERM system.

The past few years have seen much greater focus on developing and maintaining a healthy risk culture across the business through multiple risk-related employee training interventions e.g. AML, cybersecurity and data privacy, the ERM system and the updated RCSA process.

The risk management and control performance of the group are also used as a key metric for performance measurement for key management (members of the group EXCO) and divisional executives. Personalised risk-related goals are also set during each triannual performance period for risk department employees (line managers and their direct reports) which performance has a direct impact on their salary increase and short-term incentives (STIs) for the period during which performance was measured. Specific goals and metrics will depend on individuals' personal risk management portfolios.

In addition to the above, an extensive operational risk maturity assessment questionnaire is completed every 18 months, and independently reviewed by internal audit before submission to the SARB. This assessment evaluates the implementation and execution of risk management policies and frameworks as well as the maturity of various risk management practices and processes. It is also used to track operational risk maturity internally.

Risk governance

Our risk management department comprises several risk disciplines, with the heads of each reporting to the executive: risk management, who in turn reports to the CEO. Further, the executive: risk management is the highest-ranking dedicated risk official and is also a member of the group EXCO and the RCMC and is able to provide independent and objective monitoring and reporting of risks.

Although the Capitec board ultimately remains responsible for monitoring risk management in the group we have an extensive, multilayered risk governance structure. This includes ensuring that risks are adequately identified, assessed, treated, monitored and reported in a transparent manner. The board also monitors the implementation of the overall risk management strategy, approves the risk appetite and tolerance levels and ensures that risks are managed within our appetite and tolerance levels.

Our DAC ensures that the composition of our board is reviewed continuously and that board members have a relevant range of expertise, experience and industry knowledge, especially where risk management is concerned. The majority of non-executive and independent non-executive directors have a BCom and/or MBA degree, with 4 being qualified chartered accountants (South Africa).

Our risk universe consists of 7 risk categories that are managed by the group EXCO, the RISCO, the RCC, the BCC and the ALCO. These committees report to the RCMC, which is mandated by the Capitec board to oversee the risk management of the group. The group EXCO is responsible for implementing the board's risk management strategy and decisions through the implementation, execution and monitoring of relevant policies and processes.

The RCMC, which comprises executive, non-executive and independent non-executive directors, oversees risk management according to a board-approved charter. The committee meets quarterly and includes senior management attendees with representation from risk, credit, compliance, treasury and internal audit. Risk discussions are encouraged to be forward-looking while taking past risk events and our response thereto into account.

Our risk management process

Our ERM system enables all employees to proactively identify and report potential risks identified on our enterprise risk register using easy-to-follow steps detailed by the online user-friendly template available on our company intranet. This allows the operational risk department and relevant risk owner to assess and appropriately address risks by following our iterative 5-step process to risk management.

01 Risk identification

Risks can be identified and raised by any employee, although the first line of defence as risk owners, carries the primary responsibility for owning and managing day-to-day risks as part of the delivery of their area's products and/or services to clients.

Identified risks are formally documented in risk registers and have designated risk owners.

RCSAs are conducted by the first line of defence and supported by the second line risk management function as necessary.

02 Risk evaluation

The board-approved risk matrix allows for consistency in the evaluation of risk. Risks are evaluated in terms of impact and likelihood. We consider inherent and residual (current) risks.

The risk management department supports the business by providing independent oversight and monitoring risks across the group on behalf of the board.

03 Risk treatment

Risks are accepted, transferred, mitigated or avoided based on the outcome of risk evaluation. If mitigated, then mitigation plans are tracked and monitored accordingly.

04 Risk monitoring

Risks are managed as part of our daily operations according to KRIs. These assess risk against predetermined tolerance levels. KRIs can be found on the MOS and are regularly reviewed. Risk monitoring also includes scheduled mitigation reviews with the risk owners and the identification of emerging risks.

05 Risk reporting

Risk reporting is clear and concise and puts management and the board in a position to make informed risk decisions. To ensure we report the right risks to the right people at the right time, the group adopted the Basel principles for effective RDARR practices under Basel Committee on Banking Supervision (BCBS) Standard number 239.

Our risk appetite and tolerance

Our risk appetite statement is the level of risk we are willing to accept while pursuing our strategic objectives.

Strategic decisions are aligned to risk appetite in order to account for the cycle and stressed scenarios. A risk appetite framework helps balance risk-taking and delivery of sustainable growth and returns to shareholders.

Our highest exposure is to credit risk, where we define the risk appetite level through our pricing model and pursue a targeted ROE on all credit products. The pricing model combines the revenue and operational costs for a specific product and derives the total credit losses that can be absorbed over the term of the product to achieve our targeted ROE.

We have a low appetite for operational risk, which means that minimal risk is accepted, and a cautious approach is taken towards operational risk. However, for certain risk events, such as those related to employee diversity, discrimination and harassment and non-compliance, we adopt a zero-tolerance approach.

Risk appetite presented per risk category:

Risk category	Risk appetite
Business risk	Low
Capital and liquidity risk	Low
Credit risk – Business	Low
Credit risk – Retail	Medium
Insurance risk	Medium
Market risk	Low
Operational risk	Low
Reputational risk	Low

Our risk tolerance is the extent to which we are willing to tolerate a deviation from targets set for strategic objectives as a result of a potential or actual risk.

It is determined by considering outcome measures for our key strategic objectives such as revenue and market share growth, client satisfaction or earnings per share. We then consider the range of outcomes above and below acceptable targets. Tolerance is measured by our MOS key risk and performance indicators.

Our operational risk appetite and tolerance levels are reviewed annually and approved by the board, which through its mandated subcommittee, the RCMC, also ensures that operational risks are managed within tolerance levels at all decision levels, and reported on especially when escalation is necessary for any risk appetite and/or tolerance level breaches.

Risk universe – current and emerging risks

Our risk universe reflects the pertinent current risks (known risks) as well as emerging risks. Emerging risks are risks that appeared on the horizon and have not yet materialised. These risks are expected to develop over a period of time and could potentially have a material impact on the business. Emerging risks are reviewed at least annually. The risk universe is an important reference point for combined assurance and helps internal audit to align their focus to cover the most important risk themes.

Risks are in general reviewed on a continuous basis in pace with the ever-changing macro- and micro-economic environment in which we operate, while comprehensive business area RCSAs are performed at least annually.

We also consider insights from several external resources including the SARB and the World Economic Forum.

The table below shows Capitec's current and forward-looking emerging risks. Detailed descriptions of our current risks (known risks) are provided in the relevant sections of this report.

Current risks	Forward-looking emerging risks
• Capital and liquidity risk	• Climate change
• Client fraud risk management	• Cloud concentration risk
• Credit risk	• Contagion risk from large international economies and geopolitical factors
• FATF greylisting impact	• Fiscal deterioration and downgrades
• Information and cybersecurity risk	• Generative AI and data management/migration risk
• Operational (and organisational) resilience	
• Reputational risk	
• Socio-political risk	
• Supplier and third-party risk	
• Sustainability risk	
• Technology and data risk	

Pertinent forward-looking emerging risks

Contagion risk from large international economies and geopolitical factors

Various factors in the international arena have pushed global inflation and interest rates higher. Large central banks have increased interest rates to contain inflation and the SARB Monetary Policy Committee in South Africa has responded in a similar vein.

The impact is exacerbated by the Israeli-Palestinian conflict, the ongoing war in Ukraine and Russia, the demise of large banks in the past year as well as the upcoming election in the United States of America. The risk is therefore considered geopolitical in nature.

We will continue to monitor the impact of this risk on the South African economy as consumers are struggling to make ends meet with the increase in the cost of living and the ongoing high unemployment rate, and adjust our investment and financing strategies accordingly as the risk of credit defaults increases, impacting our credit risk exposure. This and the positioning of our product and service offerings – simple, affordable, easily accessible coupled with a personalised experience – and our Live Better rewards programme, will help ease the load to support our clients through a tough economic cycle.

Generative artificial intelligence

Globally, countries have started to approve and/or implement new legislation on AI. The recent adoption of the European Union AI Act aims to implement robust governance and risk management practices around the use of AI. It takes a risk-based approach, considering how the use of AI could potentially impact individuals, effectively prescribing practices where the use of AI is deemed to introduce unacceptable levels of risk or negative impacts, while high-risk applications will be subject to scrutiny and violations, to a fine.

Although the extent of this technological risk is expected to increase over time, as new legislation is implemented in phases, it could potentially impact on business processes, practices and decision-making. General-purpose AI models could for example require high levels of transparency through detailed public disclosures on the content they are trained on, and AI-generated content would need to be easily distinguishable from other data.

Respect for basic human rights is critical where AI decision-making is considered i.e. the absence of discrimination based on, among others, individuals' gender, sexual orientation, age or race. This is particularly crucial where credit or insurance application rules and models are concerned.

While such legislation is not yet in force in South Africa, its legislators tend to follow those operating in the global arena.

Continuous monitoring of global legislative developments, as well as proactive mitigation measures during the development and implementation of Capitec's current and future machine learning and AI capabilities and models, should be appropriately evaluated and addressed.

The risks we manage

Credit risk

Our credit risk arises from Retail bank lending and the expanding complexity and growth of our Business bank credit book. Capitec will continue with its strategy to digitalise credit products and increase the use of data and models to drive credit decisions and actions. Mitigation of credit risk remains at the core of our risk management programme with approval of credit to clients that fall within its defined risk appetite and are focused on the ability to repay debt. For secured credit, additional mitigation mechanisms are deployed resulting in security against the majority of exposures.

Retail bank

Credit risk management decisions are undertaken with the primary purpose of improving the financial well-being of our clients while creating value for all our stakeholders. Decisions are guided by agreed principles and predefined tolerance levels in accordance with the credit risk mitigation (CRM) strategy, which is executed through the implementation of credit policies, predictive modelling and data analysis to identify risk indicators.

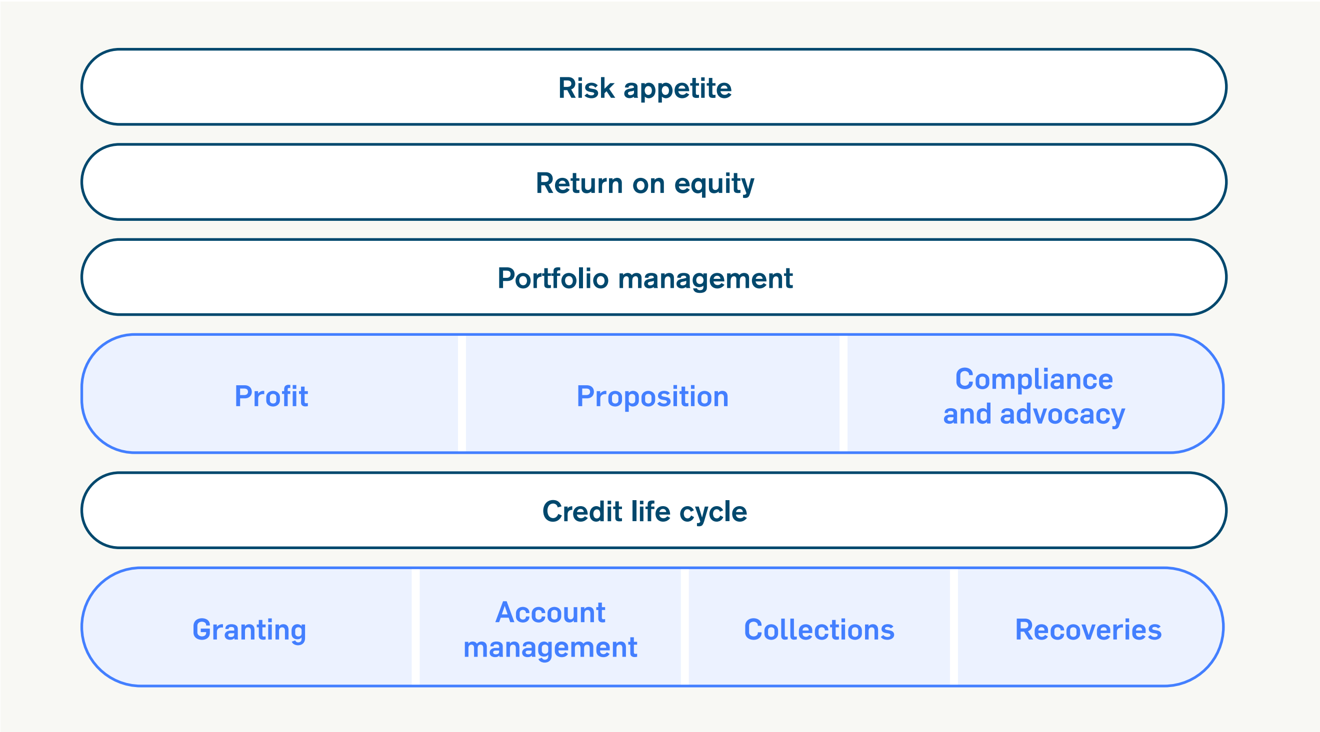
The RCMC, consisting of both non-executive and executive members, oversees credit risk through the RCC, which is composed of executive members.

The RCC is responsible for defining the credit strategy, approval of credit policies, monitoring impairments, assessing shifts in the operating environment and ensuring credit risk remains within the established risk appetite.

Financial governance is applied through pricing and impairment models, regulatory reporting and the internal capital adequacy assessment process (ICAAP). A subcommittee of the RISCO (modelling technical subcommittee) provides a forum for technical discussion, coordination and direction in setting modelling standards, methodologies and techniques. Integrated risk management is applied across all stages of the credit life cycle.

Profitability

Our risk appetite is set by the RCMC through a required ROE. Credit profit model performance against pricing targets is monitored on an ongoing basis.



Product value proposition

This entails providing appropriate credit solutions by offering credit products to fulfil client borrowing needs. Our credit products are designed with the client experience top of mind, balanced with offering profitable products.

Clients can access unsecured credit by taking up a term loan, access facility or credit card. We offer personalised, unsecured credit at competitive interest rates and fees. We continuously enhance our credit product offering to suit the credit requirements of our clients.

Capitec-branded home loans are available to our clients using a third-party provider. As the client has no contractual relationship or recourse with Capitec, these loans are not recognised on Capitec's balance sheet.

Compliance and advocacy

Credit advocacy plays a crucial role in enabling better challenging of issues at an industry level and advancing discussions relevant to Capitec client outcomes and our credit strategy. It ensures that we have a consistent understanding of the current credit operating environment.

Credit granting

The granting of credit is one of the core elements of our banking activities. The credit granting decision is automated through sophisticated rules engines. During this process, client risk and affordability are assessed and an appropriate price is assigned.

Our credit granting approach evolves as we improve our understanding of clients' credit requirements, behaviours and risk profiles and as we respond to changes in the economic and regulatory environment.

Client repayment risk is captured within the statistically validated granting models. Granting models are regularly monitored and, when deemed necessary, dynamically adapted to improve performance by leveraging both machine learning solutions as well as forward-looking perspectives.

Client affordability is assessed by considering sustainable income, existing debt repayment obligations and other necessary expenses in line with regulatory requirements. In addition to this, we perform our bespoke affordability assessments in parallel and use the more conservative outcome of the two. We ensure that our clients understand the costs, their obligations, their rights and the risks of the credit being applied for.

New service consultants complete intensive training in simulated environments and are required to pass stringent assessments before they can work in the live environment, initially under supervision. We continuously provide credit training to ensure that each service consultant understands and can adhere to the latest policies and procedures. The need to understand credit risk resulted in the development of a BANKSETA-accredited learnership package. This is the starting point towards a qualification in banking and unsecured lending as a prospective career.

Credit account management

We use behaviour models to measure the credit risk of existing clients.

Clients whose financial indicator trends and behaviour scores deteriorate are defined as pre-delinquent. Intervention strategies are implemented on pre-delinquent clients, including client education and communication to offer repayment relief in line with our policies and SARB Directive 7 of 2015: Restructured credit exposures.

During the lifetime of the access facility and credit card, we monitor a client's credit risk behaviour and affordability repayment behaviour of committed obligations and adjust their limits accordingly. The limit reduction strategy is applied to the total facility. The limit reduction is applied to the total facility through an automated decision engine.

Collections and recoveries

We use the regulated DebiCheck Authenticated Collections system to collect instalments from clients.

Proactive arrears management and maintaining good arrears rehabilitation rates play a vital role in fostering long-term client relationships and achieving our financial goals.

Rescheduling is offered as a rehabilitation mechanism to arrears clients who have the propensity to rehabilitate and as a proactive mechanism to qualifying non-arrears clients. Various forms of rescheduling are available to offer suitable solutions to address the needs of our clients.

Early-stage arrears are managed by a centralised function that uses an arrears segmentation strategy based on a treatment model to offer the most appropriate arrears treatment to a client.

A payment propensity model is used to determine whether clients will be retained for in-house collection or be handed over to an external debt collector (EDC) for outsourced recoveries.

Outsourced recoveries are performed by a panel of EDCs with different capabilities ranging from high-volume call centres to lower-volume legal collections. Debt is sold when the expectation of future payments, as estimated by an internal valuation methodology, is considered too low and where the debt approaches prescription.

Clients under debt review are monitored and regular sessions are held with major debt counsellors and payment distribution agencies. Clients are terminated from the debt review process in cases where there is poor payment performance and are then handed over to a dedicated EDC panel.

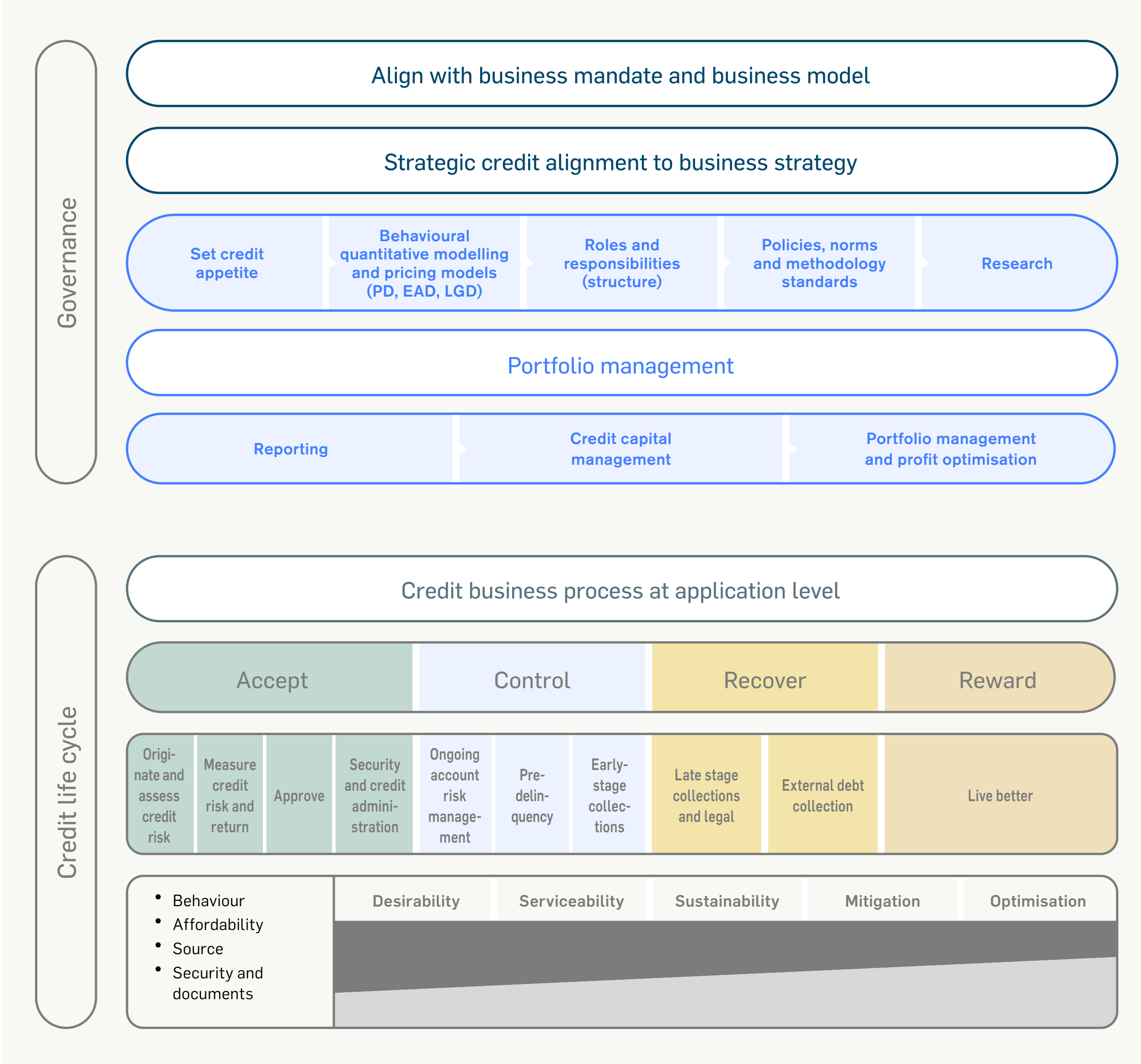
Business bank

Credit risk management is executed in accordance with the business credit framework as approved by the RCMC and demonstrated in the diagram below. The framework incorporates the credit life cycle, overall portfolio management and governance, including mandates. The credit framework is reviewed annually.

While Business bank credit granting remains predominantly intuitive, we have made significant progress in building out our scored capabilities for overdrafts and vehicle and asset finance, with overdrafts up to R500 000 and R1 000 000 on vehicle and asset finance. The intention is to mature this over time leveraging our data and insights as we invest in platforms and workflow systems to support it.

We continue to improve our mandates executed in line with our BASS (behaviour, affordability, security and source) framework. Under this framework, internal and external data is used to support the 4 BASS pillars and to ensure granting decisions are made in line with our risk appetite.

In addition to the above, there is a strong drive to ensure good-quality clients that deliver ROEs in line with our expectations are onboarded, supported by good-quality collateral where relevant.



The collateral valuation methodology is key to our Business bank credit strategy as the majority of the book is secured by tangible security. Internal and external data including forward-looking indicators are leveraged to ensure sufficient collateral coverage on our secured book.

For intuitive credit assessments, granting continues to be managed through approved mandates which are subject to rigour by credit managers and committees.

We are actively seeking to complement both our intuitive and scored credit assessment capabilities by supplementing these with additional high-quality data insights including the use of AI and financial spreading tools.

The Business bank credit portfolio is managed through various governance structures weekly, monthly and quarterly. Weekly reviews of operations are carried out by the BCC. The BCC also plays a proactive role in managing restructures, possible deterioration in counterparty risk, excesses and covenant breaches among other risk indicators.

Concentration risk is managed through the measurement of large exposures as a percentage of the total book. Any uncollateralised portion of our large exposures is managed through the CBCC (Capitec Business credit committee) and approved in line with appetite.

The CBCC also provides oversight on pricing, provisions, overall ROE and appetite. ROE targets are applied on both a product and client level. Portfolio performance is reported monthly to the CBCC. Ultimate oversight is provided by the RCMC which opines on levels of provisions, credit losses and risk appetite.

Counterparty credit risk

Counterparty credit risk (CCR) refers to the default risk of a counterparty to transactions that have a bilateral risk of loss. Our exposure comprises the following:

- Placements in the interbank market
- Over-the-counter (OTC) derivatives undertaken to hedge interest rate and foreign exchange exposures on the balance sheet
- Limited exposure from repurchase agreements (repos)
- OTC derivative flow from Business bank clients.

Investment credit risk

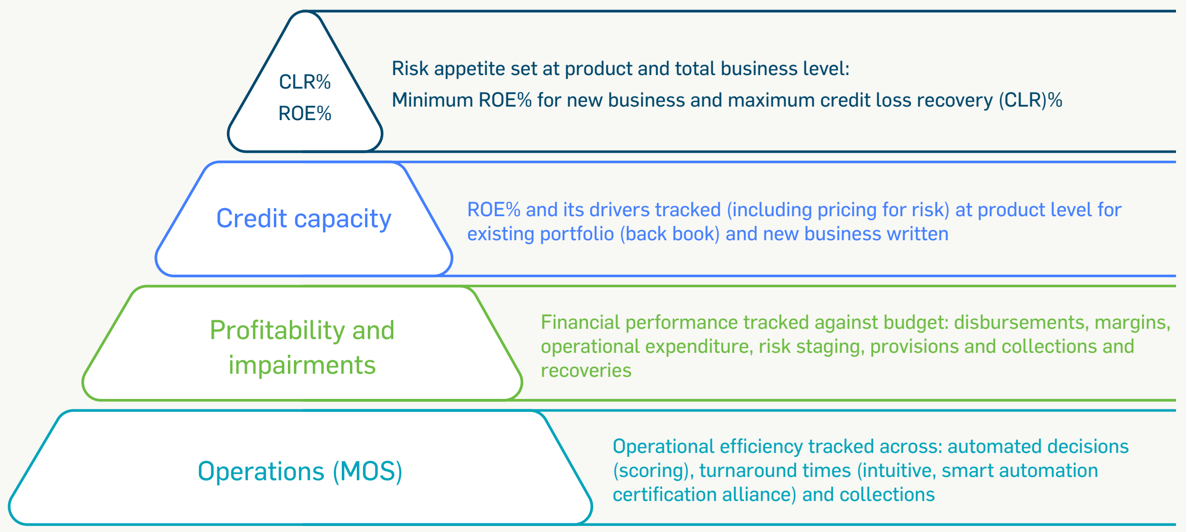
We have a low-risk appetite regarding the investment of surplus cash. Surplus cash is invested in SARB debt instruments, high-quality banks and money market funds where the underlying assets are the South African Sovereign and high-quality banks. These counterparties are all explicitly approved by the RCMC.

The RCMC is ultimately responsible for the risk management framework for the CCR and investment credit risk exposures, with the relevant ALCO and credit committees providing oversight. This framework consists of the risk appetite, approved limits, policies and procedures.

Read more about counterparty, investment and other credit risks in note 33 to the audited financial statements.

Standardised approach – credit risk exposure, credit conversion factors (CCF) and CRM effects

The group's credit risk exposures, both pre- and post CCF and CRM, together with the resulting RWA and RWA density, are disclosed in our Pillar 3 report available on our corporate website.



Operational risk

Operational risk is the potential for loss resulting from inadequate or failed internal processes, people and systems or external events. Our key focus is to mature a forward-looking appetite based on an operational risk management programme that supports strategy execution.

We have a dedicated operational risk management function that enables prudent risk management through people, systems, policies and processes that create and protect value for all stakeholders. Risk appetite is set as the total annual net operational risk loss that we are willing to accept as a percentage of gross operating income. Risk appetite considers historical losses, current risk exposures and the propensity of management to accept risk related to strategy execution.

The impact of operational risks is managed and reported via relevant structures within the business lines by management and through combined assurance and risk governance processes. Risk management activities are continually adjusted to highlight emerging risks based on changes in the operating environment.

We apply a methodology where each department in the business has its own first line risk business partner. The risk business partners ensure that risk initiatives are discussed to support first line risk ownership and a strong risk culture.

Operational risk includes the following categories:

- Financial crime risk
- Information and cybersecurity risk
- Technology and data risk
- Compliance risk
- Sustainability risk
- Operational resilience
- Supplier and third-party risk
- Model risk.

Our operational risk framework is aligned to the updated BCBS Principles for the Sound Management of Operational Risk. The business is in the process of implementing the new BCBS Principles for Operational Resilience (POR) which become effective in December 2024.

We adopt informed risk-based decisions guided by the ERM framework and the supporting risk and oversight committees. We believe in collaborative and cohesive relationships among all lines of defence to encourage transparency and to ensure consistent risk management practices. This creates a sound risk culture, which is essential to identify, manage and mitigate risks that pose a threat to the business. Improvements to the enterprise risk register in the past year enhanced the efficiency, accuracy and ease of risk capturing and is accessible business-wide.

The first line business performs a thorough review of risks on an annual basis during the RCSA process. During RCSAs, current risks and controls are assessed and updated while new risks are identified. This process will mature over time to improve the quality and efficiency of RCSAs and risk-related systems and processes.

A comprehensive insurance programme is in place as a risk transfer mechanism for specific operational risk losses such as fraud, theft, professional liability claims, business disruption and damage to physical assets. The opportunity cost of lost revenue is not covered and will be reviewed in future.

Risk view for the year

Our key risks are reviewed bimonthly for discussion at the RISCO and RCMC. A detailed review of the overall risk exposure, which is based on likelihood and impact, is performed on an ongoing basis. The assessment of risk exposure is used to classify and prioritise risks and remediation timelines.

Financial crime risk

We have made substantial investments towards system and process improvements for AML and fraud management. We are committed to combating financial crime and will continue to drive strategies aimed at preventing, detecting and responding to financial crime. The technology we use in our financial crime strategy will increasingly leverage data science and machine learning to scale our efforts and improve the efficiency of our prevention and detection mechanisms.

Risk appetite, remediation and mitigation

We have zero tolerance for any form of financial crime and are committed to conducting all activities free from any form of, among others, bribery and corruption, kickbacks, collusion, insider trading or anti-competitive practices. All allegations of unethical or fraudulent behaviour are investigated and reported to the relevant law enforcement and regulatory authorities where required. The business also focuses on ongoing training for employees to keep them up to date with developments in financial crime.

Risk management report continued

We also continue to educate our clients on how to identify suspicious practices through various bank safety campaigns and communication across multiple channels, to equip them in identifying the red flags to avoid becoming victims of fraud.

Pertinent financial crime risks

The 2 financial crime-related risks currently receiving the highest level of focus are discussed in more detail below.

AML risk

This risk relates to systems and processes failing to prevent or detect AML crime, which could manifest in Capitec being fined or sanctioned, in itself leading to negative publicity (operational and reputational risks, both with a low risk appetite).

We have continued to mature our AML risk management compliance programme leveraging a risk-based approach which has iteratively allowed for improvement and investment in technology, infrastructure and the recruitment of skilled persons to bolster our financial crime response.

This is coupled with enhancing processes such as transaction monitoring rule-tuning, reporting mechanisms and changes to client on boarding processes to ensure data consistency.

As part of this strategic journey, we have begun to align processes in the Retail and Business bank to ensure consistent treatment of clients and their interactions with us from a financial crime perspective.

We are actively refining our compliance framework, ensuring alignment with global standards and regulatory expectations, and implementing cutting-edge technology to detect and prevent illicit financial flows. We are committed to working collaboratively with regulatory authorities to address the identified gaps and fortify the financial sector against money laundering.

Strategic initiatives already in progress include but are not limited to:

- AML Future Build project, to create a single and stable platform for both Business and Retail bank to create a single AML client risk view
- heightened focus on gathering and using additional data points to accurately identify and understand AML risks through modelling and data insights
- improved automation and workflow in relation to AML operations to standardise workflow and ensure quality and accuracy by design.

Fraud management risk

In the rapidly evolving financial landscape, we face common and emerging fraud risks that necessitate vigilant defence mechanisms. Common risks include traditional schemes like vishing, social engineering, account takeovers, card not present and wallet fraud. Emerging threats are increasingly sophisticated and complex social engineering tactics lead to increased instances of client push payment fraud. We have also seen a concerning increase in theft and fraud relating to crimes under duress The proliferation of mobile banking has also escalated exposure to app-based fraud and social media-based scams and schemes. Our commitment to innovation in security practices and technology ensures robust defences against these diverse and evolving threats, safeguarding client assets and maintaining trust in our financial services.

Strategic initiatives include but are not limited to:

- implementing biometric authentication for all high-risk transactions within the Capitec App
- improved biometric authentication for all wallet transactions and dynamic adjustment of EFT/RTC limits requiring authentication
- development of models and insights to detect mule and account abuse relating to scams and schemes
- refining general fraud monitoring and detection rules and models on fraud platforms as a centralised service.

Information and cybersecurity risk

Information and cybersecurity governance

Our strategy is created, approved, reviewed and implemented to align with the overall business strategy. Weekly group EXCO meetings, where IT is represented by the chief information officer, and formal IT prioritisation meetings provide platforms to discuss strategic information and cybersecurity matters and initiatives, emerging risks and the alignment of IT risk management priorities.

IT governance is implemented according to the Capitec IT governance framework. The framework incorporates principles and controls defined in international standards such as King IV™, the Control Objectives for Information and Related Technologies, the Information Security Forum (ISF) Standard of Good Practice and ISO 27001/2.

The IT governance framework defines the IT organisational structure and the policies and procedures to facilitate good governance and compliance practices in IT. The IT governance framework is further supported by policies and standards covering IT risk management, information and cybersecurity and data governance.

Information and cybersecurity risk management

IT security and cyber risks are monitored and reported through the divisional IT risk forums and the IT governance, risk and compliance committee, chaired by the executive: technology and data, and escalated to the RISCO, of which said executive is also a member, and RCMC a board subcommittee as needed. These committees ensure that situations that could threaten the availability of core systems, or the confidentiality and integrity of client and business information, are identified and discussed at a senior management level. Important issues are handled with the appropriate level of urgency and focus; information and cybersecurity strategies and risks are standard agenda items at all RCMC meetings.

Our operational risk management (second line of defence) and IT governance, risk and compliance (first line of defence) teams also collaborate closely to ensure strategic alignment and the implementation of risk management practices that are robust and efficient.

The SARB engages regularly – formally and *ad hoc* – with the IT risk management team. We report significant incidents or relevant information to them as required. This ensures that our regulator is up to speed with any emerging or developing technology risks.

Information and cybersecurity strategy

Our information and cybersecurity strategy is based on ISO 27001/2 and the best practice principles of the ISF Standard of Good Practice. Our information security policies and standards provide the basis on which controls are developed to protect sensitive client and business information and systems.

We have a dedicated team focused solely on protection, detection and response to cybersecurity. We regularly test our IT controls for weaknesses to improve our security and response times using a combination of internal and external resources. We are involved in industry initiatives such as the South African Banking Risk Information Centre and Banking Association South Africa (BASA) to establish and embed well-coordinated security response mechanisms in the event of major security threats to the banking industry or individual banks.

Regular risk and vulnerability assessments, including simulated hacking attacks, are performed by both internal and external teams. In addition, IT security and cyber controls are reviewed annually by internal audit and/or external service providers.

Our ongoing security awareness campaigns include a variety of practical and business-relevant security topics, and training on security measures is provided to all Capitec employees.

Technology and data risk

Risk data aggregation and risk reporting

We operate in a regulated industry where data breaches may have a significant impact on our reputation and sustainability. RDARR principles require a clear organisational strategy for data governance, quality, infrastructure and information risk management.

RDARR principles afford us the ability to aggregate risk exposures and identify concentrations quickly and accurately at group-level, and in so doing, ensure risks are managed effectively. Our data and risk management practices are well aligned and built on a robust data management framework and strategy which ensure continuous improvement and maturity.

Data privacy

We value the privacy of our clients, employees, and other stakeholders. We process personal data responsibly, ethically, securely, lawfully and in accordance with our duty of confidentiality towards clients. While there are many practical examples of how we do this, it is worth noting that as a general rule, we do not transfer client data to other service providers except in bespoke-use cases where it was explicitly requested by the client through the appropriate channel and the client's identity has been verified. These requests would mostly include confirmation of accounts or account balances. We also in principle do not process client data for secondary purposes, such as marketing or in the improvement of our product and service offering, unless explicit consent was provided through opt-in as part of our account opening terms and conditions. Clients can at any time, through the appropriate channel, revoke this consent by opting out.

Adherence to data privacy principles and conditions is complied with through robust governance, risk and compliance processes. Our enterprise data privacy programme framework is supported by policies and standards, all easily accessible to employees on our company intranet's data privacy hub. Training and awareness campaigns are also run throughout the year.

We operate a dedicated data privacy office providing governance and strategic guidance and support for the implementation of regulatory requirements relating to the collection, processing, retention and disposal of personal information to all employees. Our data privacy strategy is approved by the group EXCO and continuously refined. We continuously monitor local and international developments in data protection laws and standards and incorporate relevant best practices where appropriate.

The data privacy office also ensures that any privacy-related incidents are assessed and handled in a timely manner and reported in accordance with regulatory requirements, with appropriate disciplinary action taken against employees not adhering to our data privacy principles.

Our manual for the Promotion of Access to Information Act, Act 2 of 2000, was also updated and is available in Afrikaans, English, isiXhosa, isiZulu, Sesotho and Tshivenda via the privacy centre on our website.

Compliance risk

Compliance risk is the possibility that Capitec does not achieve its objectives due to events and circumstances that lead to material loss, reputational damage or regulatory sanctions that stem from non-compliance.

We maintain an independent compliance function in terms of regulatory and supervisory requirements.

As a participant in the South African financial services sector, we are subject to a robust regulatory regime and supervisory programme that continuously undergoes significant development. Our primary regulators are the Prudential Authority (PA) of the South African Reserve Bank (SARB), the Financial Sector Conduct Authority (FSCA), the National Credit Regulator and the Financial Intelligence Centre (FIC). We also have other important regulators which include the Information Regulator and the JSE.

No material policy-related breaches were identified during the current reporting cycle. These specifically include the areas of:

- corruption or bribery
- discrimination
- conflicts of interest
- insider trading.

During the past financial year, we did not make any direct or indirect contribution (financial or otherwise) to any local, regional or national political campaigns or parties (including ballot measures or referendums) or organisations, trade associations or other tax-exempt groups whose role is to influence political campaigns or parties.

Key compliance focus areas

As efforts have remained focused on strengthening the various compliance programmes (including market conduct, anti-bribery and corruption, privacy and financial crime), the bank's control environment has improved considerably over the reporting period. Key compliance focus areas are:

- Enhanced compliance frameworks: Several frameworks and standards were enhanced in response to and in anticipation of regulatory and industry developments. These include the anti-bribery and corruption framework, the ethics management framework, the client relationship termination framework, the market conduct framework, the conflict of interest policy and the EFT payment instruction standard
- Strengthening the compliance culture: Compliance assisted the group in operationalising the frameworks and policies to ensure compliance with regulatory standards. Furthermore, compliance culture was enhanced by promoting an ethical culture in the group through bolstering the ethics office
- Financial crime risk management and compliance programme: Compliance completed the annual financial crime risk assessment. It also continued to, in conjunction with BASA and the regulators, closely monitor and work on regulatory developments which may affect our operations or our clients. Of critical importance is the fact that South Africa's next Mutual Evaluation will be performed by the FATF in 2027
- Involvement in key enterprise initiatives: Compliance continued to ensure compliance with regulatory requirements as the group continues to expand and enhance its product and service offering. Important initiatives included Capitec Pay, the risk management and compliance framework for payment activities, Business bank forex, emerging markets and new partnership roll-outs.

Ethics and conduct risk

We aim to help our clients live better by making banking simple and transparent. This entails conducting business honestly, responsibly and with integrity. The market conduct forum is our governance forum for market conduct and oversight and is a subcommittee of RISCO. Forum members represent the relevant business areas concerned with market conduct.

Our ethics and integrity programme is guided by our ethics management framework which is supported by several ethics-related policies, most notably our ethics statement and code of conduct. The ethics office, which is part of the compliance function, oversees the implementation of the ethics and integrity programme.

During this financial year, ethics campaigns were launched with a focus on creating awareness around ethical conduct in relation to gifts and invitations and encouraging and promoting the reporting of unethical behaviour. The campaigns included the publication of new and/or updated frameworks and policies, as well as the distribution of ethics training and other informative material.

	Number of employees who completed the training	% of full-time employees
Gifts and invitations policy	12 418	78.9
Whistle-blowing policy	12 347	78.4

We owe our success to the value and the positive difference we create in the financial lives of our clients. As a financial institution, Capitec is guided by the FSCA Treating Customers Fairly (TCF) principles as well as Conduct Standard 3 of 2020 (Banks) issued under the Financial Sector Regulation Act, Act 9 of 2017.

During the past year, we launched an internal TCF awareness campaign through a series of short 'tone at the top' videos presented by selected executives and senior employees speaking to the 6 TCF outcomes and their importance and linking them to Capitec's internal CEO values.

We continue to demonstrate how Capitec ensures that our clients are treated fairly during all stages of the product life cycle and provide feedback through market conduct engagement meetings with the FSCA.

Various stakeholders monitor a range of KPIs across the 6 TCF outcomes. KPIs include net social media sentiment (provided by an external service provider), client service experience (client satisfaction) and operational service levels.

We created an aggregate measurement that combines all the aforementioned KPIs into a single metric – the TCF indicator – which is included in the executive STI KPIs.

Monthly results are carefully analysed and corrective action is taken where necessary. The metric is included in the meeting packs of the group EXCO and escalated to the RROC and RISCO where relevant.

Key legislative developments

The compliance function oversees the bank's regulatory universe and monitors, anticipates and prepares for regulatory developments. New or forthcoming pieces of legislation that will impact the bank include:

Employment equity

The Employment Equity Amendment Act, Act 4 of 2022 (EE Act) was signed into law on 14 April 2023. This was followed by the publication of the draft Employment Equity Regulations of 2023 on 12 May 2023. The regulations included 5-year sectoral numerical targets at both national and provincial levels, which as a designated employer Capitec will be expected to adhere to. On 1 February 2024, an update to these regulations was published. The republished draft regulations provide detailed guidance on how to interpret and apply the sectoral numerical targets, and remove the distinction between national and provincial targets, now reflecting a single target on the basis of gender only. Further to this, the distinction between racial groups (African, Coloured and Indian) was removed and replaced by 'designated groups' as defined in the EE Act.

Financial crime

In 2021, the FATF issued 20 recommendations related to identified deficiencies in the Mutal Evaluation Report. South Africa was grey-listed by the FATF in February 2023. In October 2023, the FATF rerated 18 of the 20 deficiencies based on progress made by the South African authorities. Following the rerating, South Africa is largely compliant with 35 of 40 FATF recommendations. We expect the publication of legislation under the FICA as the authorities address the remaining recommendations.

The Department of Justice and Constitutional Development discussion document on proposed reforms for the Whistle-blower Protection Regime in South Africa seeks to provide enhanced protection to whistle-blowers.

Financial sector

The Draft Deposit Insurance Regulations were published in accordance with the Financial Sector Regulation Act and will provide for the procedural and administrative matters relating to the functioning of the Corporation for Deposit Insurance. Banks will be expected to comply with the applicable regulations by 1 April 2024.

Industry developments

The FSCA's annual, 3-year, rolling Regulation Plan for 2023-2026 was published in June 2023. The plan details progress against expected timelines, adjusted timelines and proposed regulations for financial service providers.

Occupational health and safety

We are committed to providing and maintaining a work environment that is, as far as reasonably practicable, safe and without risk to the health and safety of our employees (permanent, temporary and contracted), clients, contractors and any other visitors or members of the public who come onto our business premises. We are therefore fully committed to complying with the spirit as well as the letter of all relevant South African OHS tax laws, regulations and standards relevant to our industry and geographical locations of operations, which is confirmed through the monitoring reviews performed by representatives from the compliance team.

Our bespoke OHS management system is in place at all our business premises including branches, business centres and all campuses. It allows us to:

- perform and record potential hazards and risk assessments to identify any potential cause of injury, damage or ill health in the workplace
- develop comprehensive action plans to minimise or mitigate any potential hazards or risks identified, prioritised based on likelihood and potential impact

Risk management report continued

- report incidents of injury, damage or ill health in the workplace
- record, manage and report on all internal or external inspections performed.

We also maintain a health and safety hub on the company intranet where all employees have access to among other information, our OHS policy, the head and regional offices' emergency contact numbers and designated health and safety representatives, safety awareness guidelines and instructions to follow in handling any medical incidents at a Capitec Business premises. An email campaign was launched during the year to remind all employees of the easy-to-follow health and safety emergency guidelines as well as the availability of the health and safety hub in general.

Our OHS committee is made up of elected and appointed health and safety representatives and selected management to assist the group EXCO in fulfilling its responsibilities regarding health and safety matters.

The OHS committee is primarily responsible for:
- reviewing with divisional line management whether OHS policy requirements are being effectively implemented
- reviewing and recommending changes to existing OHS policies and programmes (processes, procedures and practices) to ensure continuous improvement in quality and efficiency
- reporting on the nature and extent of compliance or any non-compliance with applicable legislation and industry standards.

Meeting at least on a quarterly basis, standard agenda items include, but are not limited to, any reported injuries on duty (IOD) detailing investigation findings and corrective actions taken. Minutes of the meetings are maintained and available for review by the group EXCO on request.

We experienced the following health and safety incidents:

	2024		2023	
	Number	% of total full-time employees	Number	% of total full-time employees
Fatalities (IOD leading to death)	—	—	—	—
First aid cases (IOD leading to minor treatments)	49	0.31	45	0.29
Medical treatment cases, with no lost days	16	0.10	5	0.03
Lost time injuries (IOD leading to at least 1 day of sick leave)	9	0.06	18	0.12
Total	74	0.47	68	0.44

Our OHS policy, endorsed by our board, is available on our corporate website.

Personalised OHS-related goals (towards the overall success of the OHS programme) are set during each triannual performance period for the entire health and safety team (line manager and his direct reports) as well as the duly appointed section 16(2), which performance has a direct impact on their annual salary increase and STI, payable in cash annually in April following the completed financial year during which performance was measured.

At management level, our regional managers have been appropriately trained and are responsible for annual retail branch risk assessments. The head and regional offices' risk assessments are also performed annually by the duly elected, appointed and trained health and safety representatives.

Feedback on risk assessments and any IOD, including investigation findings and corrective actions taken, are reported to the SESCO at least twice a year, with health and safety being a standing agenda point at committee meetings.

Our duly elected health and safety representatives are appropriately trained, whether at appointment or as a refresher.

	2024	2023
Evacuation wardens	19	6
Fire marshals	587	447
First aiders	645	325
Safety, health and environment representatives	554	401
Section 16(2)	7	—
Total	1 812	1 179

Sustainability risk

We acknowledge the importance of sustainable business practices and the focus on climate- and nature-related risks which could manifest across all operational risk categories.

Our approach is to ensure that sustainability risks and opportunities remain integrated in Capitec's core business strategy and not as a stand-alone strategy.

The sustainability committee, which reports to the SESCO, continues to assist in driving appropriate risk management practices and embedding associated principles across the business.

We participated in the annual S&P Global corporate sustainability assessment and continued to show an incremental improvement year-on-year in our ESG score. We saw likewise improvements in the ESG performance assessments from other globally recognised ESG rating agencies.

The REMCO introduced an aggregate non-financial sustainability metric to the executive STI KPIs this year which was refined and expanded for the upcoming financial year.

Please refer to our ESG page on the Capitec website for our stand-alone environmental report, related policies and ESG scores.

Operational resilience

The SARB published a directive requiring all banks to comply with the BCBS POR by 31 December 2024.

Operational resilience is an important business discipline which speaks to the ability to deliver important business services during times of disruption. Resilience enables the business to proactively identify and mitigate threats and potential failures, and to respond, adapt, recover and learn from disruptive events to minimise their impact on the delivery of important business services.

Our business continuity management programme is based on ISO 22301, the POR, the Prudential Standard Governance and Operational Standards for Insurers (GOI) on Business Continuity Management and the Business Continuity Institute's Good Practice Guidelines.

Supplier and third-party risk

The importance of supplier and third-party risk management is driven by the increasing level of dependence on third parties to deliver products and services to our clients. Our supplier and third-party risk is monitored by the supplier risk committee, a subcommittee of the RISCO, and provides strategic direction and oversight to ensure that risks are promptly identified and managed.

During the financial year, we implemented a new supplier and third-party risk management system. The system aggregates relevant KRIs on a reporting platform that is used for risk monitoring purposes. Further efficiency improvements will be made to the system and underlying processes going forward.

Model risk

Model risk is the potential loss we may incur because of inaccurate decisions based on model output due to errors, bias or shortcomings in the development, implementation or use of models.

Model risk management

Model risk management provides oversight through relevant policies, procedures, governance and standards across the modelling community in the group. Although model risk cannot be eliminated, having robust model risk management practices in place will ensure the risk is effectively managed, reducing the risk of potential losses to the business as well as any reputational damage it can suffer due to inferior business decisions made based on model output errors or biases.

In the past year, we have had a substantial increase in the number of models in operation as well as in their complexity as the use of machine learning models, among others, increases.

A dedicated model risk management team ensures policies, procedures and standards are strictly adhered to by all business stakeholders throughout all model life cycle stages: from initial design and development to approval and implementation, ongoing use, monitoring and review, to model changes, redevelopment or decommissioning.

Model risk governance

Models are subject to independent review and approval by the MTSC consisting of subject matter experts in the group. This committee is accountable to the RISCO, and ultimately the RCMC, a board subcommittee.

Risk management report continued

Market risk

Fluctuations in market variables such as interest rates or exchange rates can affect our financial position as a group. These changes can result in losses from on- and off-balance sheet exposures. This constitutes market risk.

Our exposure to market risk consists of the following:
- Currency risk
- Interest rate risk.

Currency risk

Translation risk

Translation exposure is limited as most of the bank's operations are in South Africa. The procurement of assets and/or services in foreign currency may lead to losses as exchange rates fluctuate. When necessary, these transactions are hedged.

Foreign exchange risk

All foreign exchange risk exposures are in the banking book as the bank does not undertake proprietary positions. All exposures are undertaken to facilitate client flow.

Predominant risk arises from Business bank clients purchasing or selling foreign exchange to conclude import or export transactions for goods and services. These transactions are immediately hedged in the interbank market, resulting in the bank having limited open currency positions. This is in line with the bank's low risk appetite for market risk.

The bank purchases a portion of goods and services required for operational reasons, primarily IT-related. Where appropriate, the bank executes foreign exchange derivative contracts or purchases the foreign exchange directly from other institutions to hedge this exposure.

Interest rate risk

Interest rate risk refers to current or prospective risk to the bank's capital and earnings arising from adverse movements in interest rates. There is inherent interest rate risk on the balance sheet due to issuing fixed- and variable-rate assets which are funded by a mix of fixed- and variable-rate liabilities. Interest rate risk is also relevant to the Insurance business.

Retail bank

The Retail bank has traditionally had a large percentage of loans at fixed rates, with minimal exposure to floating-rate loans. This mix continues to change with the increased credit card book and the switch from term loans to the access facility, which are both at floating rates, from traditional fixed-rate term loans. The natural hedge that occurred historically by funding fixed-rate loans with fixed-rate liabilities is therefore evolving.

Business bank

The Business bank has a predominance of floating-rate assets which are primarily funded by floating-rate liabilities providing a natural hedge.

Effect of shareholders' equity

We have a natural mismatch position when the group has more rate-sensitive assets than rate-sensitive liabilities. This mismatch is due primarily to a high proportion of ordinary shareholders' equity, a consequence of our conservative leveraging. Traditionally, equity is considered as non-rate-sensitive. We target a fixed ROE.

Managing interest rate risk

Capitec Bank's asset and liability management (ALM) policy precludes taking speculative or trading positions on the banking book. In general, the 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 manage mismatches, long-term floating-rate liabilities may be swapped to fixed rates. The ALCO addresses market risk at least monthly.

Our appetite for interest rate risk is managed at a group executive level by our treasury department and reported monthly to the ALCO. Our monthly reporting indicates the variance to the projected 12-month income statement forecast. Board governance is provided through the RCMC on a quarterly basis.

Insurance

Interest rate risk arises in the insurance business mainly as a result of the valuation of the portfolio that is impacted by changes in interest rates. Interest rate risk also arises from the asset portfolio.

The capital management policy requires that investment of assets backs policyholder liabilities by considering the size, uncertainty, expected timing, tax position and currency of liability cash flows.

Insurance risk

Insurance risk is the risk of losses due to experience being different from the assumptions used in pricing or reserving including assumptions related to severity, frequency, trend or volatility.

Description of how insurance risk arises in the group

Insurance risk arises if an insured event could cause the issuer of the insurance agreement to pay significant additional benefits than envisaged and priced at the inception of the agreement, placing undue pressure on reserves meaning that there may be insufficient capital available to honour the claims made by policyholders. Such agreements remain designated as insurance agreements until all rights and obligations are extinguished or expire.

Capitec Life in the past financial year started underwriting credit life insurance business. The funeral policies written in the cell captive are reinsured by way of the cell captive holding a reinsurance contract with a reinsurer. The group does not hold any reinsurance on the credit life policies.

The group has provided capital to a third-party cell captive structure which allows the group to benefit from the ring-fenced insurance business. From the group's perspective, the captive arrangement effectively represents an investment in separate classes of shares in the cell captive insurer, which entitles the group to participate in the insurance profits generated in terms of insurance policies sold to the group's clients. The group's participation in the structure is restricted to the results of the insurance business which is placed with the licensed cell captive insurers. The group also earns interest on the capital and retained profits in the cell captive.

Credit life product types

When term loan clients are granted credit for 7 months or longer, the group requires the client to have credit life insurance in place to cover death, permanent disability, temporary disability and unemployment or the inability to earn income other than as a result of disability. The same requirement is applicable for credit card and access facility clients (except for certain clients where credit life insurance is voluntary).

Loan clients can provide the group with an existing credit life policy (either internal or external), enter a new policy with the group or take out a similar credit life policy with another insurer.

Funeral product

The funeral product sold provides cover payable upon death of the policyholder and up to 21 dependants. A premium is charged for each life covered. The product has some additional benefits that Capitec believes provide value to the client for an affordable price, such as an option of no waiting period if the policyholder switches cover from another licensed insurer.

Risk governance

Capitec Life has the following structures in place to govern its insurance activities:
- Board of directors
- Board committee: audit, risk and capital management committee (ARCMC)
- Management committees: insurance executive committee, the ALCO, RISCO and product approval and conduct committee
- Risk management control function
- Internal audit control function
- Compliance control function
- Actuarial control function.

For business underwritten by Capitec Life, the ARCMC is responsible for the following activities:
- Providing oversight over the risk management approach related to all risks undertaken by the business as well as the effectiveness thereof
- Providing oversight over the integrity of Capitec Life's annual financial statements and the effectiveness of the finance, actuarial and other internal functions as well as external audit of the product types.

Capitec Life has established a board-approved product development and approval framework as well as an underwriting policy that governs product development and pricing. Additionally, it has in place a TCF policy and a reinsurance and other risk transfer policy.

The licensed cell captive insurers have robust corporate governance and regulatory frameworks in place to manage insurance risk. The cell captive insurers, respectively, have the following board and control functions in place that govern and challenge inputs, models and the results of valuations:

- Audit committee and appropriate risk committee
- Risk management control function
- Internal audit control function
- Compliance control function
- Actuarial control function.

The licensed cell captive insurers perform the actuarial function which includes (but is not limited to) premium rating, capital and reserving requirements and risk mitigating strategies for the business underwritten by the cell captive insurers, respectively.

The group monitors and reviews the work performed by the licensed cell captive insurers. Items such as monthly results, premium turnover, claims experience, solvency and insurance liability calculations are discussed and debated in detail to ensure that they are reasonable and align with the group's risk appetite. Any material changes to calculations and/or identified risks are summarised and presented to the RCMC.

General risk management

The insurance risk arising is mainly managed in 2 key processes:

- Product design and pricing of the insurance business
- Management of the in-force book.

A key step in managing insurance risk is the performance of regular experience investigations to understand the actual experience compared to the basis used in valuations and pricing. These investigations are signed off by the head of the actuarial function. Where required, changes are made to pricing and product design and/or valuation bases.

Stress and scenario analyses are performed which provide insight into the insurance risk and future capital position. These are conducted across all risk types.

Product design and pricing of the Insurance business

The group ensures that the insurance portfolio is priced correctly and understood through rigorous and proactive risk management processes that ensure sound product design and accurate pricing. These include:

- independent model validation
- challenging assumptions, methodologies and results
- debating and challenging product relevance, the target market, market competitiveness and treating clients fairly
- identifying potential risk
- thoroughly reviewing policy terms and conditions.

Management of the in-force book

This section shows detailed risk management activities per insurance risk type.

Mortality (death) and morbidity (disability) risk

The risk that mortality and morbidity rates and the associated cash flows are different from those assumed. This is managed as follows:

- Monitoring of trends and experience of the insurance portfolio
- Validation and fraud checks are performed at claim stage to ensure only valid claims in line with the terms and conditions of the policy are paid.

Retrenchment risk

The risk that retrenchment rates and the associated cash flows are different from those assumed. This is managed as follows:

- Identification of retrenchment risk is controlled by the bank's credit scoring
- Regular monitoring of exposure by industry and employer and feedback into risk selection
- Monitoring of trends and experience of the insurance portfolio
- Validation and fraud checks are performed at claim stage to ensure only valid claims in line with the terms and conditions of the policy are paid.

Catastrophe risk

The risk that stems from extreme or irregular events contingent on mortality, morbidity or retrenchment whose effects are not expected. This is managed as follows:

- Monitoring of trends and experience of the insurance portfolio.

Lapse risk

The risk that lapse rates and the associated cash flows are different from those assumed as well as the risk of mass lapse. These are managed as follows:

- Lapse, cancellation and collection rates are regularly reviewed to ensure they remain optimal.

Expense risk

The risk that expense and/or expense inflation is different from that assumed in pricing and valuations. It is managed through the group's rigorous budgeting process.

Capital and liquidity risk

Capital risk refers to the potential for the group to suffer losses due to inadequate capital to cover its liabilities or unexpected losses. Liquidity risk refers to the risk that it may not be able to meet its financial obligations due to an inability to convert assets into cash or obtain funding in the market.

Capital risk management

The ALCO oversees the activities of treasury, which operates in terms of an approved ALM policy. The ALCO assesses capital adequacy monthly and manages it daily as necessary. This includes a historical and future capital positioning review and a quarterly report to the RCMC. Capital adequacy is reported to the PA monthly in line with the requirements of the regulations.

Risk management and capital management are interdependent. We hold risk capital as a reserve in line with regulatory requirements. This allows for all residual risks that remain after cost-effective risk management techniques, impairment provisioning and risk mitigation have been applied. Residual risk exists as there is potential for unexpected losses and volatility in expected future losses that are not captured in terms of IFRS Accounting Standards.

Read more about capital and liquidity management in the chief financial officer's report from **page 12** and in note 37 to the audited financial statements.

Capital management

Our objectives when managing capital are to ensure that:

- the return on capital targets is achieved through efficient capital management
- adequate capital is available to support the growth of the business
- there is sufficient risk capital with a capital buffer for unexpected losses to protect depositors and shareholders, and to ensure sustainability through the business cycle
- the group complies with the Banks Act and regulations.

The above principles counterbalance each other by aiming to maximise returns for shareholders, but not at the expense of other stakeholders. It also safeguards long-term sustainability while maintaining satisfactory returns for all stakeholders. Implicit in this approach is compliance with the prudential requirements of the regulations and maintaining a strong capital base to support the development and growth of the business.

We are a systemically important financial institution (SIFI) as designated by the PA. SIFIs hold additional capital as required by the PA in the form of domestic systemically important bank (D-SIB) capital as prescribed by the PA.

Capital to manage risk and growth

We retain capital for risk in the existing portfolio and to support risk arising from planned growth. Supply and demand factors impact capital adequacy.

Supply-side risk

Supply-side risk relates to procuring appropriate capital resources at appropriate pricing and times to:

- keep ahead of any changes in the technical calculation of capital adequacy
- maintain capital buffers at the stipulated requirements of regulators
- meet shareholders' expectations.

Demand-side risk

Demand-side risk involves monitoring the growth in RWA. This, in turn, drives the growth in regulatory and our own internal capital requirements.

The group has an ICAAP which drives its position on capital management on an ongoing basis. The ICAAP reviews our historical, current and future capital positioning from an internal and regulatory capital perspective.

Both Capitec and Capitec Bank have maintained healthy buffers above the minimum capital adequacy requirement.

Risk management report continued

The table below summarises the composition of regulatory capital for the group and the bank.

R'000	GROUP 2024	GROUP 2023	BANK 2024	BANK 2023
Regulatory capital adequacy				
Composition of qualifying regulatory capital				
Ordinary share capital[1]	**5 456 540**	5 406 109	**6 105 981**	6 105 981
Foreign currency translation reserve	**101 574**	77 610	**—**	—
Other reserves	**505 392**	491 982	**6 286**	(404)
Accumulated profit	**37 351 783**	33 060 311	**32 617 644**	28 548 099
Total ordinary shareholder equity	**43 415 289**	39 036 012	**38 729 911**	34 653 676
Regulatory adjustments				
Intangible assets, deferred tax assets excluding temporary differences and goodwill in terms of IFRS[8]	**(1 326 994)**	(1 390 218)	**(1 326 994)**	(1 378 739)
Other regulatory adjustments	**(759)**	—	**(99 544)**	(123 663)
Unappropriated profit	**(2 788 817)**	(2 607 727)	**(2 653 381)**	(1 283 835)
Common equity tier 1 capital (CET1)	**39 298 719**	35 038 067	**34 649 992**	31 867 439
Issued preference share capital[1]	**43 260**	48 924	**43 260**	48 924
Phase-out – non-loss-absorbent[2][7]	**(43 260)**	(48 924)	**(43 260)**	(48 924)
Additional tier 1 capital (AT1)	**—**	—	**—**	—
Tier 1 capital (T1)	**39 298 719**	35 038 067	**34 649 992**	31 867 439
Unidentified impairments	**910 614**	872 831	**913 165**	875 387
Tier 2 capital (T2)	**910 614**	872 831	**913 165**	875 387
Total qualifying regulatory capital	**40 209 333**	35 910 898	**35 563 157**	32 742 826
CET1 (%)	**35.5**	33.6	**32.9**	31.9
AT1 (%)	**—**	—	**—**	—
T1 (%)	**35.5**	33.6	**32.9**	31.9
T2 (%)	**0.8**	0.8	**0.9**	0.9
Total capital adequacy (%)[3]	**36.3**	34.4	**33.8**	32.8
Composition of required regulatory capital				
On-balance sheet	**8 689 699**	8 317 193	**8 714 185**	8 341 729
Off-balance sheet	**53 730**	63 709	**53 730**	63 709
Credit risk	**8 743 429**	8 380 902	**8 767 915**	8 405 438
Operational risk	**1 595 535**	1 503 058	**1 515 052**	1 438 002
Market risk	**38 955**	4 044	**1 532**	4 044
Equity risk	**628 171**	971 624	**622 151**	589 883
Other assets	**2 290 032**	1 665 857	**1 718 780**	1 545 980
Total regulatory capital requirement[4]	**13 296 122**	12 525 485	**12 625 430**	11 983 347

*Refer to the footnotes on **page 105**.*

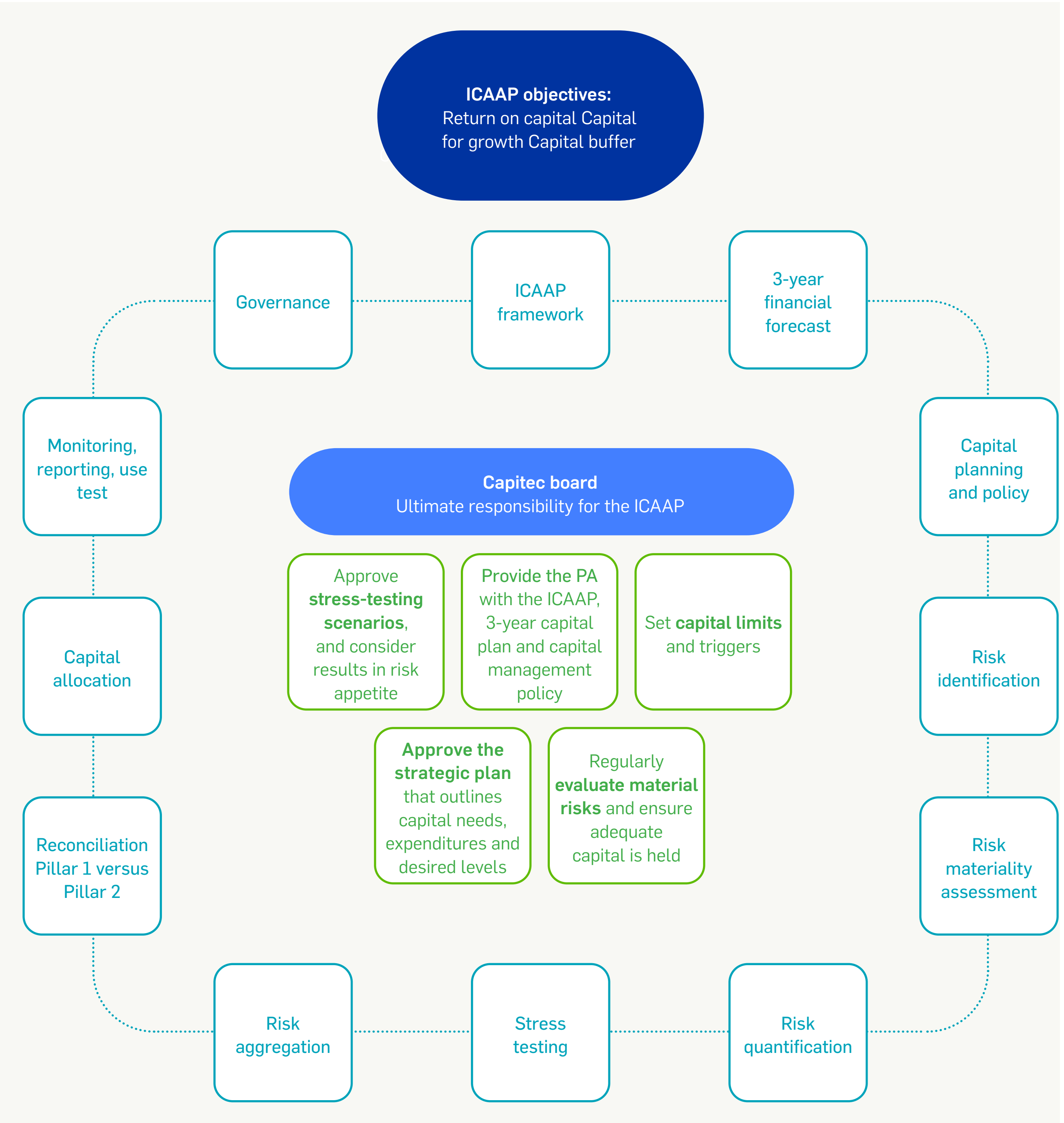
R'000	GROUP 2024	GROUP 2023	BANK 2024	BANK 2023
Composition of RWA[5]				
Credit risk – on-balance sheet	**72 414 160**	69 309 945	**72 618 210**	69 514 411
Credit risk – off-balance sheet	**447 754**	530 906	**447 754**	530 906
Total credit risk	**72 861 914**	69 840 851	**73 065 964**	70 045 317
Operational risk	**13 296 122**	12 525 485	**12 625 430**	11 983 347
Market risk	**324 623**	33 696	**12 765**	33 696
Equity risk	**5 234 755**	8 096 866	**5 184 594**	4 915 693
Other assets	**19 083 604**	13 882 143	**14 323 167**	12 883 172
Total RWA	**110 801 018**	104 379 041	**105 211 920**	99 861 225
Total assets based on IFRS	**207 578 626**	191 800 623	**203 709 199**	188 228 244
Total RWA – adjustments[6][8]	**(96 777 608)**	(87 421 582)	**(98 497 279)**	(88 367 019)
Total RWA – regulatory	**110 801 018**	104 379 041	**105 211 920**	99 861 225

(1) For further details of the main features of these instruments, please refer to the consolidated Pillar 3 report on our website.
(2) These instruments include non-loss-absorbent preference shares that were phased out of regulatory capital on 1 January 2022.
(3) The total CAR percentage is determined by dividing the total qualifying regulatory capital by total RWA.
(4) This value is 12% of RWA, being the Basel global minimum requirement of 8%, the South African country-specific Pillar 2A buffer of 1%, the capital conservation buffer of 2.5% and the D-SIB capital add-on of 0.5%. In terms of the regulations relating to banks, the idiosyncratic capital Pillar 2B requirement is excluded.
(5) RWA is calculated by using the Basel III prescribed regulatory percentages in order to establish the base for calculating the required regulatory capital.
(6) The adjustments mainly reflect the impact of the regulatory percentages and the addition of a risk-weighted equivalent for operational risk.
(7) The base value of preference shares phasing out in terms of Basel III is R259 million. As at 29 February 2024, 83.30% (2023: 81.11%) of these shares had been repurchased as they no longer contribute to qualifying regulatory capital.
(8) In terms of the regulations relating to banks, goodwill and intangible assets, net of the related deferred tax liability, are treated as specific adjustments and are deducted from CET1 capital and reserve funds.

Internal capital adequacy assessment process

Economic capital is defined as the methods and practices that allow us to consistently assess and attribute capital to cover the economic effects of all risk-taking activities. This process is in support of principle 3 of the Basel III ICAAP principles. The economic capital (E-cap) analysis involves the identification of all risks from certain activities or exposures in the execution of our strategic objectives, an attempt to measure and quantify those risks, the aggregation of those risks and the allocation of capital to those risks.

Banks Act Guidance Note 4 of 2015 specifies the high-level requirements for the ICAAP and defines our responsibilities and the PA's expectations for the E-cap analysis. The ICAAP is also performed in proportion to the nature, size and complexity of our business activities. Our ICAAP framework is illustrated below.



Recovery and resolution planning

One of the main objectives of an effective resolution regime is to minimise the cost of crisis resolution to the taxpayer, reduce moral hazard in the financial system and protect financial stability. In support of these objectives, the necessary processes and arrangements must be in place to allow for the effective recovery of financial institutions, where possible, without intervention, financial support or guarantees from the central bank or government.

An important tool in this regard is the requirement for us to have an integrated recovery plan (IRP) in place to improve our resilience under severe stress scenarios, whether idiosyncratic or systemic. The purpose of the IRP is to prepare and consider actions for the resolution of Capitec without a systemic disruption or cost to taxpayers. We are responsible for the development of an IRP, while the Resolution Authority is responsible for the development of a resolution plan.

The IRP fits into our ERM framework and is updated annually. The treasury team, as the primary owner accountable for the group's recovery and resolution planning, maintains and updates the IRP with input from various internal stakeholders. The IRP is further informed by business continuity plans (BCP) and is approved by the ALCO and RCMC. The figure below shows the key elements of our IRP.

Capitec's integrated recovery planning framework

Capitec board: Ultimate responsibility for development and approval

Capitec EXCO: Responsible for ensuring continuity of the group in a crisis

Governance
- Capitec's recovery plan crisis playbook
- Roles and responsibilities
- Escalation and decision-making
- Compliance with laws and regulations

Communication
- Approach to managing reputational risk
- Crisis communication plan
- Informing and seeking guidance from broader stakeholder groups
- Navigating social media

Monitoring and reporting
- Early identification and the severity analysis
- Forward-looking analysis
- Macro environment

Tactical and operational execution
- Approach and response to reducing risk exposure
- Stabilisation strategy
- Tactical execution and deal-making ability

Group structure and key information on legal entities
- Core business lines
- Core shared services
- Critical functions
- Critical shared services
- Intergroup dependencies
- Economic, systemic and legal barriers to recoverability

Recovery trigger framework
- Reverse stress testing
- Escalation procedures
- Qualitative and quantitative triggers for liquidity, capital and operations

Stress scenarios
- Description and identification of the pace and severity of the crisis
- Idiosyncratic event
- Systemic event

Recovery options
- Low, mild and severe actions
- Contingency funding, business continuity and disaster recovery
- Governance and approval protocols
- Assessment of legal, structural, separability and other considerations
- Cumulative impact and quantum of options

The group EXCO is responsible for ensuring the continuity of the group in a stressed scenario. It is composed of qualified and experienced individuals who are familiar with their roles and responsibilities when executing agreed actions and take clear accountability in relation thereto.

Resolution planning

The Resolution Authority engaged with all the D-SIBs in quarter 3 of the 2023 calendar year to start completing ‘Chapter 1’ of their resolution plans. This involves a strategic business analysis where D-SIBs complete quantitative as well as qualitative assessments that involve key business lines, processes, contracts and people.

The informal guidance received from the Resolution Authority is that the start date for first loss after capital (FLAC) is 1 January 2025. Updated legislation is expected to be issued in quarter 2 of the 2024 calendar year. There is still a significant volume of regulations that need to be transformed into standards which are the pieces of legislation that are used to define how all the various parts of the resolution process will be operationalised. This process is expected to occur over the next financial year.

Stress testing and scenario analysis

Stress testing and scenario analysis provide a forward-looking view of financial and non-financial risks under a range of scenarios and sensitivities to estimate the potential impact on the group. The RCMC is responsible for approving the stress-testing framework as agreed by the ALCO and group EXCO.

The objectives of stress testing are:

- the identification and mitigation of risks
- risk appetite setting and measurement
- strategy setting
- integrated financial budgeting and planning
- ICAAP, including capital planning and the setting of capital buffers, targets and limits
- the development and review of recovery and resolution plans.

Stress tests ensure that the group remains well capitalised relative to its business activities, strategic plans, risk appetite, risk profile and external operating environment.

The table below summarises the stress tests that are performed for the group.

Type	Purpose	Scenario type(s)	Approach	Frequency
ICAAP stress tests	Analyse how changes in a predefined macroeconomic scenario will potentially impact capital requirements and capital buffers. The impacts of economic scenarios reflect estimated changes to: • Revenue (interest income, fee income, other non-interest income and impairments) • Balance sheet exposure measures • Regulatory measures.	Based on macroeconomic indicators provided by the BER for the following scenarios: • Up-case • Base-case • Down-case.	Change key predetermined financial input variables at the same time given a predefined scenario. 3-year forward-looking.	Biannual
Supervisory stress tests – Common scenario stress test	Evaluates the impact of the PA-determined scenarios on key regulatory measures of the group.	Based on macroeconomic scenarios provided by the PA.	3- to 5-year forward-looking.	Every second year or as required by the PA
Sensitivity stress tests	Prediction of how specific percentage increases or decreases in selected input variables will change the outcome on KPIs, liquidity or capital adequacy.	Selected input variables as directed by the ALCO and group EXCO.	Point-in-time analysis or forward-looking up to 12 months.	*Ad hoc*
Reverse stress tests	• Identify a severe but plausible scenario that will cause a capital or liquidity regulatory insolvency event • Understanding the effectiveness and credibility of proposed recovery actions.	Based on a severe hypothetical stressed event that would result in a break-the-bank scenario. 2 types of scenarios are considered: • Idiosyncratic • Macroeconomic.	Short to medium term as required by the severity, timeline of the events and timelines to recover.	Annual
Climate-related common scenario stress test	Determine the impact of climate-related risks (physical and transition risks) on the business’ income statement and balance sheet.	• Physical risk: extended droughts, excessive rain leading to floods, landslides and rising sea levels • Transition risk: government policy and regulations pertaining to high carbon taxes, change in client expectations towards ‘green’ product and service offering.	Assess the relationship between climate-related risk and Capitec asset values or credit book default rate. (Note: certain industry sectors by their very nature pose a higher risk e.g. agriculture (droughts and floods), mining (retrenchments because of phasing out coal-power energy generation in line with the South African government’s Just Energy Transition plan).	• *Ad hoc* from the PA • Periodic modelling of climate-related risks to our retail and business credit books.
Business continuity testing	Determine the impact of severe but plausible disruptive events on Capitec’s ability to continue delivery of important business services and their potential impact on the business’ income statement and balance sheet.	Loss of key personnel, building or technology infrastructure damage, supply chain disruptions, national electricity grid failure, branch ceiling collapse with clients inside, mass shootings.	Identify severe but plausible scenarios (based on previous disruptive events, nationally and/or globally). Also incorporate emerging and novel risks. Determine impacts and/or dependencies based on scenario of choice.	Annual

Risk management report continued

Type	Purpose	Scenario type(s)	Approach	Frequency
Liquidity risk simulation	• Increase awareness of the role of the IRP in an operational/liquidity/financial crisis and the suitability and adequacy thereof • Heighten stakeholders' awareness of the risks associated with a liquidity crisis event • Understand the role of the group EXCO, ALCO, RCMC in a liquidity crisis event • Ensure awareness and alignment in relation to the roles and responsibilities of the various teams and functions during a liquidity crisis event as defined in the IRP and the interaction and coordination required between all such stakeholders during such a crisis • Simulate the interaction with shareholders and the board during a liquidity crisis event.	The objective of the liquidity simulation is to test the responses and capabilities of the organisation under simulated conditions by raising awareness of potential risks, blind spots and weaknesses in relation to the IRP and the overall responses by the various role-players to identify areas of focus ahead of the simulation together with the PA	A 1-day on-site simulation with the PA and the external auditors that simulates a liquidity run on the bank.	Every 4 years

Basel III

The regulations prescribe the standards to calculate minimum regulatory capital requirements for banks in South Africa, based on Basel III.

We use the standardised approach to calculate RWA for credit risk, market risk and equity risks in the banking book, and the alternative standardised approach for operational risk.

Leverage ratio

The leverage ratio acts as a capital floor to the Basel risk-adjusted capital adequacy framework. The group's regulatory leverage ratio amounted to 18.9% (2023: 18.1%). Capitec Bank has a leverage ratio of 16.9% (2023: 16.8%).

Restrictions on the transfer of regulatory capital

Given our structure, 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.

Liquidity risk

Liquidity risk is managed by ensuring that we have access to sufficient or acceptable cash and cash equivalents to fund an increase in assets and meet our obligations as they become due, without incurring unacceptable losses. We adhere to more stringent internal liquidity measurements than required by Basel III.

Our approach to liquidity risk remains conservative. There were no significant changes to the liquidity policy over the past financial year. The management of liquidity takes preference over the optimisation of profits.

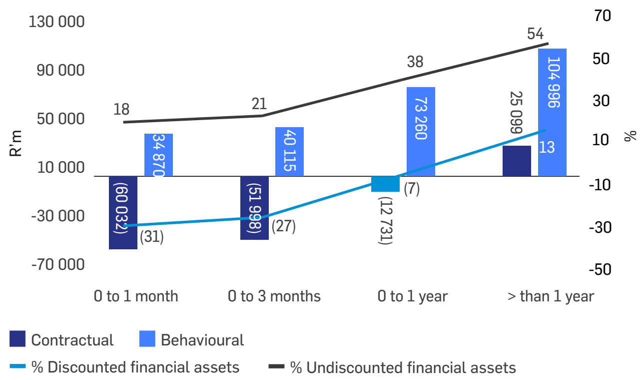
To reduce liquidity risk, the usage of call deposits to fund cash flows longer than 6 months is limited by the bank's internal retail call deposit ratio (RCDR). This ratio is significantly stricter than the Basel LCR and NSFR ratios. The funds not invested in the loan book are managed in low-risk, liquid, interest-bearing instruments. These assets provide a positive return.

The liquid asset requirement of R7 207.0 million (2023: R6 484.0 million) is held to comply with regulatory liquidity requirements and consists of treasury bills, government bonds, government bond-backed resale agreements and cash. The intention is to hold all treasury bills and government bonds to full maturity.

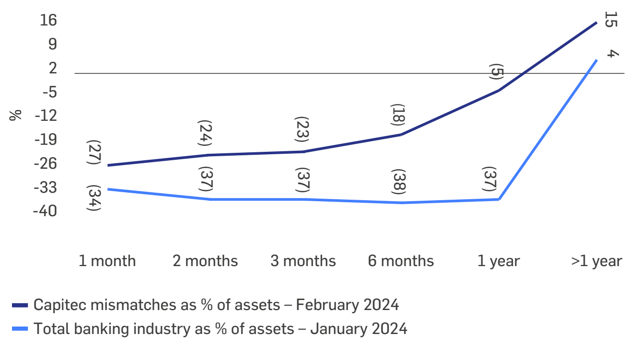
For cash planning purposes, we use the contractual mismatch and not the behavioural mismatch.

Contractual and behavioural liquidity mismatches

Contractual and behavioural liquidity mismatches



Industry comparison –
Cumulative contractual liquidity mismatches



Contractual and behavioural mismatches benefit from our 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. 91.0% of these deposits (2023: 91.2%) are reflected as stable based on a standard deviation measure of volatility, which is considered reasonable for business-as-usual conditions.

We complied with all regulatory liquidity capital requirements during the current and previous years.

Liquidity coverage ratio

The LCR is a 30-day stress test, using 91 days (actual data points for the quarter) to calculate an average for the quarter. It 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.

	2024	2023
LCR (%)	2 398	2 191
High-quality liquid assets (R'm)	85 895	74 947
Net outflow (R'm)	3 583	3 421

As we have 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. A ratio of 100% or more represents compliance in terms of Basel III requirements.

Net stable funding ratio

The NSFR is designed to ensure closer matching of long-term asset cash flows with long-term funding cash flows. It also strongly relies on retail deposit funding. A ratio of 100% or more represents compliance.

	2024	2023
NSFR (%)	216	215
Required stable funding (R'm)	85 311	80 017
Available stable funding (R'm)	184 553	172 128

The NSFR is calculated according to the Basel rules. Our conservative approach to liquidity management has resulted in compliance with these liquidity ratios on a level that is consistently higher than required.

Retail call deposit limit ratio

The RCDR is an internal ratio looking at the next 6 months. The purpose of the ratio is to limit the usage of call deposits to fund long-term loans. This ratio is stricter than the Basel liquidity ratios and that is the reason why compliance with the Basel ratios has always been met without any adjustment to internal liquidity measurements.

Retail call deposit tolerance

The retail call deposit liquidity tolerance is a treasury tool which indicates how quickly the bank can pay back deposits. This is calculated by applying future cash from loans, wholesale and fixed-term maturities to any current cash deficit that may arise.

Liquidity recovery plan

The liquidity recovery plan requires that the bank has a liquidity monitor and a set of triggers developed to help identify the early stages of a liquidity crisis.

The monitor addresses 2 phases of liquidity difficulty, namely:

Early stage

This is the lower-risk stage that provides management with more opportunity to manage the bank out of a potential crisis.

Late stage

This is the high-risk stage where management's opportunities for corrective action are limited by the circumstances.

After a range of stress indicators was assessed, it was evident, on an overall balanced basis, that neither early- nor late-stage liquidity stress exists.

Insurance

Capital and liquidity management

Capitec Life is the holder of an insurance licence that was issued to the group during the current financial year. Capital and liquidity management is governed by a capital management policy setting out requirements pertaining to capital management, liquidity management, investment and asset liability management. The Insurance business division has its own ALCO which meets monthly and provides oversight over these matters.

Capitec Life performs quarterly as well as annual reporting of its solvency position on the regulatory basis (as set out in the Prudential Standards - Financial Soundness Standards for Insurers) to the PA, in line with regulatory requirements.

Capital and liquidity are monitored closely. Target capital and liquidity levels, as well as thresholds that require management action, are in place to ensure that appropriate management action is taken within acceptable time frames to maintain capital and liquidity at acceptable levels.

Capitec Life conducts an own risk and solvency assessment (ORSA) on an annual basis or more regularly as required.

The group is obligated to maintain the solvency of the cell captive structures that it has established and ensure that there is sufficient capital to cater for a range of 'shock' events that could occur.

Reputational risk

Reputational risk represents the risk of reputational damage due to stakeholders perceiving the business in a negative way either as a result of collective action or inaction, misconduct by a business representative or through association with a third party. Reputational incidents can have a negative impact on our financial capital, social capital and/or market share.

Reputational risk is managed at an executive management level by the executive: marketing and communications as the primary risk owner. Reputational risks are escalated to the board when deemed necessary.

We manage reputational risk on an ongoing basis through a robust policy framework that details the expected behaviour of business representatives, including employees and third parties. We continue to monitor employee behaviour and client responses. The policy framework also requires transparent reporting through the integrated annual report, policy statements and any other public disclosures.

To mitigate reputational risk, we have the following:

- A centralised policy on responsible media
- An escalation process for complaints
- Significant focus on TCF principles, which includes employee education and awareness campaigns and active monitoring of key risk and performance indicators on our MOS
- Strong relationships with stakeholders
- Robust due diligence procedures for vetting new clients, suppliers and/or business partners
- Processes to monitor media and social media statements.

Reputational incidents are dynamic, often unpredictable and can be complex to address. We actively manage these by monitoring intelligence to identify and respond to incidents. Our social media monitoring system tracks all posts related to Capitec.

We use various processes and procedures to ensure the ethical and responsible use of technology and client information, thereby protecting our reputation. We focus on a well-governed code of conduct, which is supported by our ethics framework, to manage reputational risk in the group

Business risk

The risk of non-performance against planned strategic objectives or the consequences of executing inappropriate strategies, increased competition, changes in government policy or changing stakeholder expectations, that will negatively impact profitability and threaten the business' long-term sustainability.

We have several business risk management processes in place to continuously monitor changes in the economic and regulatory environment that can potentially impact business performance. Changes can include interest rate movements, which affect cost, pricing and the size of loans.

Our risk mitigation strategy includes:

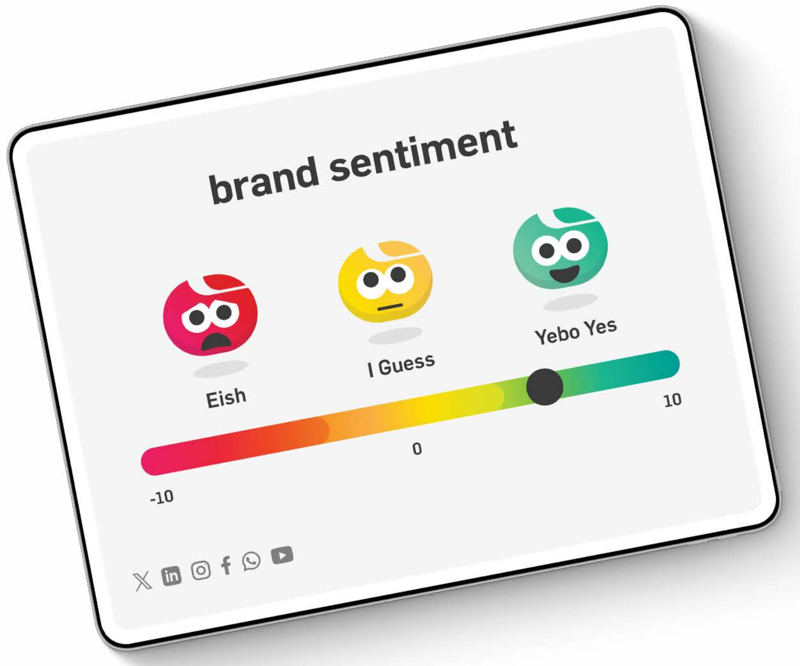
- a daily operational assessment of performance against the operational budget and MOS
- periodic stakeholder engagements
- a monthly assessment of performance against the strategic plan
- an annual strategic risk assessment
- biannual business plan reviews
- prioritisation of business process and system optimisation.

Management priorities are determined by value generators: transacting, saving, insurance and credit. Business strategy and performance reporting on these activities focuses on applying key business drivers:

- The client is always at the centre of our decision-making process
- Delivery of appropriate products and services
- People and capacity management.

Business risk resulting from an inappropriate strategy is mitigated by an extensive annual strategy review and alignment process. The group EXCO is accountable for developing our strategy and the board considers same for approval. They monitor implementation through specific KPIs on the MOS.

The impact of events on the future direction of the business and forecast results are quantified using stress testing as soon as information is available to make a quantitative assessment. Additional volume and price drivers are subject to sensitivity testing which is performed at least annually as part of the ICAAP and ORSA processes and includes break-even analyses.



Remuneration report

Our remuneration report comprises 3 parts:

- *Part 1 consists of a background statement in the form of a letter from the REMCO chairman, reporting on factors that influenced the remuneration policy and forward-looking approaches, and the implementation of the policy over the past financial year*
- *Part 2 contains the forward-looking remuneration policy*
- *Part 3 illustrates the implementation of the remuneration policy over the past financial year.*

Part 1: Background statement

Letter from the REMCO chairman

On behalf of the REMCO, I am pleased to present Capitec's remuneration report for the 2024 financial year, my first report as chairman of the REMCO.

Our long-term strategy to diversify our income streams and grow quality clients produced double-digit growth in a financial year where external economic events placed pressure on our credit business. Non-interest income made a significant contribution to the 16% growth in headline earnings for the 2024 financial year and increased to 72% of income from operations after credit impairments (2023: 66%). Net transaction and commission income grew by 29% year-on-year as our clients rapidly adopted our VAS. Net interest income grew by 16% as the yield on the loan book and investment portfolio increased based on the changes in the repo rate and the net insurance result grew by 18%. The incentives for the year recognise and reward the efforts that led to this growth with an available STI bonus pool of R415 million.

As I take over the reins from my esteemed colleague Danie Meintjes, I would like to reflect on the approach to date with our reward strategy.

Our current LTI scheme was introduced in 2002, and the balance of share options settled to date have been through shares purchased in the market, with issued shares to settle share options during this time having been limited to 5% of issued ordinary share capital. We are satisfied that we have achieved our key aims of incentivising strong performance goals, and presenting a market-competitive reward structure which enables us to retain and attract the talent we require to continue to drive our strategy forward, with a minimal amount of dilution to our shareholders, through following this approach.

Historically, the STI provided a key focus on earnings growth in the business. It was the sole incentive for strategic and senior management other than executives, who were exposed to share price growth through their participation in the LTI schemes. While we are comfortable that the STI focus remains appropriate, and the STI has historically delivered outcomes which were aligned with our 'pay for performance' principle, supporting the shareholder growth trajectory, we believe that there is now an ideal opportunity to link our strategic and senior management incentive outcomes to share price growth over the longer term. We explain our approach to this in more detail below.

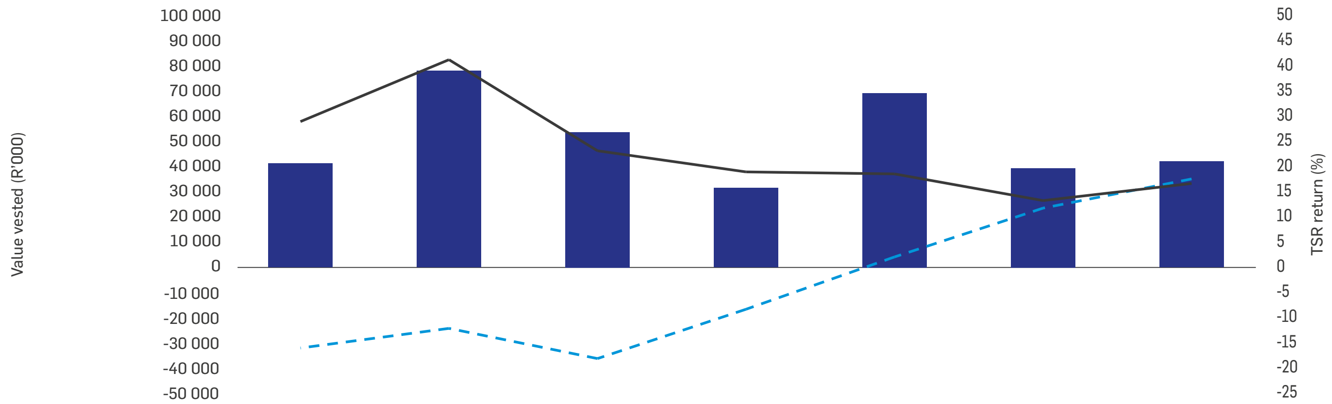
Our approach has always been to focus our incentives on our key metrics – being our headline earnings growth and ROE, and we have endeavoured to set realistic but stretched targets relating to these measures. This task is not always easy, as the macroeconomic environment and unexpected circumstances may alter what may be considered to be 'strong' or even 'exceptional' performance. Performance must always be understood in the context of both prevailing market circumstances and real return to shareholders. Setting forward-looking performance targets for these measures for a 3-year period is challenging, and needs to be carefully balanced with the creation of sufficient focus towards longer-term strategic initiatives which will create sustainable value in the longer-term.

For this reason, and based on the input provided through our valued shareholder engagement, we have introduced an additional measure to our LTI, which we describe in more detail below.

It is paramount that progress against set targets is closely monitored to ensure that the remuneration policy as set is able to achieve its desired objectives, while remaining fair to all stakeholders. This at times means that difficult decisions must be made, and a REMCO is faced with the challenge of balancing different stakeholder interests in the best way possible, taking into account all of the information available to them. We are grateful for our shareholder feedback in this regard as it provides meaningful insights into our considerations. However, we acknowledge that we are not always able to fully comply with each shareholder's desired outcomes. As a REMCO, we ultimately aim to make decisions and change policy in a way which we feel will most serve the company and all its stakeholders in the long term.

We experienced phenomenal performance during the period 2018 to 2023, resulting in the outperformance element of our STI, based on earnings targets kicking in for a number of these years and delivering appropriately competitive bonuses to reward employees who were key to this achievement. Similarly, our share options delivered value to our employees which aligned with the returns delivered to shareholders over this period. Refer to the graph below that showcases the LTI single-figure outcome for the CEO relative to total shareholder return (TSR) delivered for Capitec's shareholders and a market financial services index TSR for the period 2018 to 2024.

Pay for performance analysis – CEO LTI outcomes versus TSR performance



	2018	2019	2020	2021	2022	2023	**2024**
CEO LTI (R'000)	41 641	78 669	54 077	31 800	69 690	39 744	**42 378**
Capitec TSR (3-year rolling) (%)	28.8	41.1	23.0	18.8	18.4	13.1	**16.5**
FINI15 TSR (%)	(16.2)	(12.3)	(18.3)	(8.5)	1.9	11.6	**17.4**

We have, however, pursuant to shareholder feedback, made some key changes to the LTI scheme over the past few years, where this was considered prudent, including:

- The REMCO excluded the 2021 financial year from the headline earnings per share (HEPS) performance assessment due to the pandemic's impact, but after discussions with shareholders, it reviewed the HEPS metric for certain awards to include the 2021 financial year with the aim of ensuring consistency
- In 2023, the REMCO removed discretion in vesting requirements and included the 2021 financial year in the performance measurement of the 2019 grant
- Transitioning from the HEPS to headline earnings target for STI in 2021 with the aim of driving consistency and alignment with other annual performance bonus schemes organisation-wide
- Amended the LTI binary ROE evaluation to a tiered vesting scale for the ROE measure (50% weighting) in 2022 which was further refined in 2023 to provide for 2-tiered vesting on both HEPS and ROE LTI measures
- An executive KPI scorecard was introduced in the 2023 financial year to link executive performance with the STI allocation. This scorecard assigns a 70% weight to financial objectives headline earnings, which is crucial for determining the STI value, while the remaining 30% is dedicated to non-financial objectives.

Changes introduced following the 2024 financial year remuneration review

- As part of the 2024 financial year remuneration review, it was agreed that the LTI vesting will be updated to cater for a 3-tiered vesting scale on all measures for new awards from the 2025 financial year going forward
- A third LTI measure will be introduced focusing on client satisfaction (representing a leading sustainability measure) from the 2025 financial year awards going forward. This measure will support and complement the current ROE and HEPS measures (representing lagging financial reporting measures)
- The LTI ROE target has been adjusted from cost of equity (COE) + 6% to COE + 8% for the 2025 financial year awards going forward
- The STI scorecard financial KPI (70% weighting) will be adjusted from headline earnings to HEPS for the 2025 financial year going forward.

Shareholder engagement, remuneration design and voting outcomes

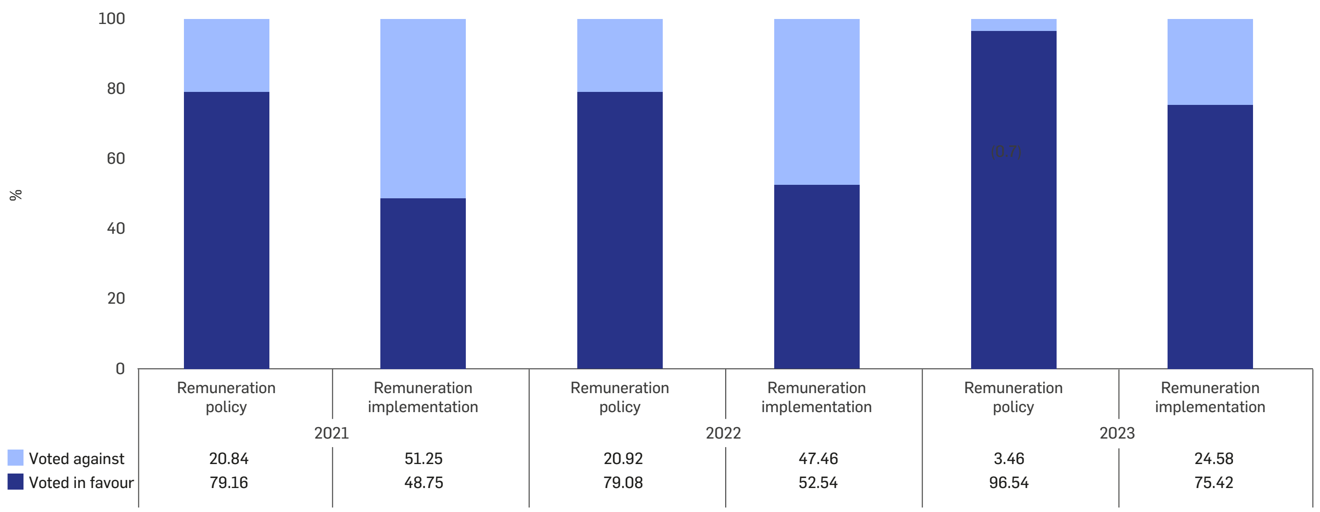
Capitec remains focused on developing remuneration strategies that best serve stakeholder interests through sustainable growth. We regularly engage our shareholders to ensure open communication through which we can gain input, address concerns and, ultimately, align interests.

Remuneration is designed carefully to reward actions that advance stakeholder interests, to ensure that pay is appropriately aligned to performance, as well as to best market practice and regulatory requirements. Remuneration is also carefully designed to ensure we are fully enabled as a business to attract and retain talent in what we still consider to be a fiercely competitive market for talent.

We engage independent external remuneration consultants for input on these elements, where required.

Our remuneration policy for 2023 received a pleasing 96.57% in favour (2022: 79.08%), and we are truly pleased that our shareholders are supportive of our ongoing strategy. We acknowledge that our implementation report vote at 75.42% leaves room for improvement (2022: 52.54%), but are also pleased that we are showing steady improvement in this regard, while continuing to engage with shareholders on identified areas of concern.

Remuneration policy voting history



I would like to extend my personal thanks to our shareholders for their meaningful inputs and willingness to engage, and give my commitment as chairman to continue to consult with our shareholders on an ongoing basis on remuneration-related matters.

Summary of 2023 shareholder comments and our responses thereto

Shareholder comments	Our response
Request for increased breakdown of ESG targets/ more detail around the non-financial performance indicators and the actual performance against these	As the calculation of the overall STI pool is evaluated on Capitec Bank Holdings Limited headline earnings performance, and no STI is formulaically determined in the absence of such performance i.e. in order for a member of key management to receive an STI, the Capitec Bank Holdings Limited group headline earnings target must have been achieved. In other words, the only possible influence that the non-financial measures could have on the STI is a downward adjustment should the quality measures not be met. On this basis, and taking into account strategic confidentiality, Capitec is comfortable with the level of disclosure currently provided on these measures. We have previously refined the STI approach to include a clearer determination process with associated weightings linked to the financial performance of the group including strategic and sustainability initiatives. The REMCO believes that the adoption of a collective group balanced scorecard to determine bonus outcomes, along with the disclosure of the group financial and non-financial KPIs in that scorecard, provides shareholders with comfort that STI payments reward holistic performance. This is discussed in Part 2 of the report, under the heading 'Short- term incentive'.
Questions raised regarding targets (including suitability of ROE target and possible introduction of a further financial target) – targets should be set relative to historical performance and market expectations	The ROE target has been enhanced in a manner deemed to be appropriate and representative of what we consider to be an adequate stretching level of performance, taking into account the current macroeconomic and geopolitical climate. The target has thus been increased from COE + 6% (COE + 4% as threshold), to COE + 8% with the aim to carefully balance providing our shareholders with a best in market return while also ensuring that we can continue to give back and invest in our loyal client base. We have further introduced one additional measure to the LTI, referencing client satisfaction. The above is discussed in Part 2 of the report, under the heading 'Long-term incentive'.

Looking forward: 2024 and beyond

One of the first major exercises I oversaw as chairman of the REMCO was a holistic review of the current reward structure, to ensure that it represents a market-leading approach which addresses the key challenges that Capitec faces with respect to the remuneration of key employees. As our business continues to mature, we believed that it was vital to consider whether the current instruments remain fit for purpose in driving the right behaviour and incentivising for sustainable growth which we aim to deliver as part of our strategy.

During this review, we carefully considered whether the use of full share instruments at an executive level would be appropriate, but ultimately decided that the committee was comfortable that the current instrument mix at this level has resulted in behaviour which is aligned with our culture and execution of strategy, and outcomes which were suitable in terms of our overarching commitment to 'pay for performance'. The committee did decide to tweak the incentive offering in response to feedback from shareholders, including making the ROE target more stretching, introducing a 3-tiered LTI vesting scale and including client satisfaction as a third LTI measure.

The committee has also decided to introduce conditional share rights (CSRs) for the strategic and senior leadership, representing a form of a deferred component of STI, to create increased line of sight over the Capitec share price and exposure to long-term performance. Awards of CSRs will replace some of the cash STI bonus potential to ensure overall total reward levels remain appropriate.

Some of the key challenges which we identified and resolved to address through the process were:

- Market-aligning bonus outcomes to ensure competitive but fair pay
- Driving an ownership mindset in our core levels of employees
- The focus of the incentive mix for senior and strategic leadership supporting the group EXCO needs to be shifted slightly from earnings in the short term to sustainable share growth over the long term, which ultimately supports our strategy
- Ensuring that there is equity exposure at our executive, strategic and senior leadership levels in a way which motivates and rewards critical effort towards execution of our strategy at this level
- Locking in critical successors through appropriate equity exposure
- Enabling our agility to deliver market-aligned sign-on offers and lock-in mechanisms for newly appointed or promoted executive, strategic and senior management employees within appropriate governance parameters through the equity schemes
- Ensuring a compelling and market-aligned pay structure which key employees will buy into, and which will drive behaviour in the correct strategic direction.

Ultimately, the intention of the review was to ensure that the instruments utilised to deliver the LTI sustain effectiveness in retaining the competitiveness of our remuneration offering, understanding that the business has grown exponentially over the past few decades and now needs to focus on further growth strategies over the medium to long term.

Overview of our performance and remuneration outcomes – key highlights

Once again, Capitec grew firmly in the year under review, as discussed in the chairman's and chief executive officer's and chief financial officer's reports from **pages 9** to **21**. Headline earnings increased by 16% from R9.2 billion to R10.6 billion, with a ROE of 26%. Our leadership team successfully executed strategic priorities for the year and is to be commended, along with our employees, for their resilience and ongoing efforts in realising our vision of being the preferred retail and business bank in South Africa.

Total guaranteed pay (TGP)

The average TGP increase awarded to all employees was 6.75%.

The details of the increases are set out in Part 3.

Short-term incentive (STI) and long-term incentive (LTI)

STIs were paid to all employees across the business.

The vesting outcomes for the 2021 LTI awards, for which the 3-year performance period ended during the 2024 financial year, were 100%.

Confirmation of implementation by the REMCO

The REMCO is satisfied with the implementation of the remuneration policy during the year. More detail about the implementation of the remuneration policy is set out in Part 3 of this remuneration report.

Activities of the REMCO

During the year under review, in addition to the standing agenda items, the REMCO oversaw the following actions:

- Reviewed the holistic approach to remuneration and incentives, and oversaw changes to the LTI and adjustment of the STI. This included changes to the performance conditions and targets in light of shareholder feedback (including enhancements to the ROE measure to make the target more stretching)
- Continued the review of the total remuneration (TR) of employees with key critical skills (including executives) and further developed the remuneration strategy targeting these skills. We are confident that these changes further enhance our ability to retain these key critical skills
- As tasked by the board through the REMCO charter, we confirmed that remuneration policies, processes and practices are implemented and continuously maintained to, as a minimum, comply with the requirements specified in regulation 39(16)(a) of the Banks Act, Prudential Standards GOI 2 (Governance of insurers) and GOI 3 (Risk management and internal controls for insurers) and King IV™ and to take into account stakeholder feedback
- Monitored remuneration practices and adherence to the remuneration policy, having met formally twice over the year and informally on an *ad hoc* basis, as deemed necessary
- Fulfilled delegated responsibilities in respect of the Capitec Bank Holdings Share Trust
- Evaluated and approved all annual increases for Capitec employees and proposed non-executive directors' fees to the board for recommendation to the shareholders for consideration at the AGM
- As required by Basel and King IV™, considered whether the remuneration structures continue to effectively align remuneration with performance according to shareholder interests and acceptable risk-taking
- The REMCO charter incorporates the regulations of the Banks Act. The committee therefore regularly considers whether the remuneration structures continue to be effective, align with shareholder expectations and remain within a required risk framework. It is satisfied that these requirements have been met.

Our areas of focus for the 2025 financial year

In line with our charter, the REMCO continuously evaluates the remuneration policy against best practice and feedback received from stakeholders. The REMCO and management review employee remuneration and benefits continuously, taking into account, among other things, internal and external fairness as well as the overall remuneration spectrum in relation to key management remuneration levels. This involves being sensitive to the need for corporates to address unfair income disparities and employees' socio-economic challenges.

We progressively evolve our disclosure with the aim of ensuring that our reporting is transparent, accessible and in line with best practice.

During the 2025 financial year, in addition to the areas of focus previously mentioned, the REMCO and management will focus on the following:

Remuneration aspect	Forward-looking approach for the 2025 financial year
Review of STI performance criteria and LTI vesting conditions	As part of our continuous focus to drive a pay-for-performance culture, we will continue to robustly evaluate our STI performance criteria and LTI vesting conditions to ensure that we are driving the right behaviour in executing our growth strategy.
Review of fair pay practices, including wage gaps	As part of our continued commitment in driving fair and responsible pay, we will perform a further detailed fair pay assessment with the aim of identifying areas that require further improvement.
Embedding the implementation of CSR for strategic and senior management	With the introduction of CSRs as part of our strategic and senior leadership variable pay structure, significant emphasis will be placed on the successful implementation of this structure and communicating the planned impact and purpose to participants.

Changes to the REMCO

During the 2024 financial year, Danie Meintjes resigned as chairman of the REMCO, and I, Vusi Mahlangu, took up this role.

External advice to the REMCO during the year

During the 2024 financial year, the REMCO fully executed its duties in accordance with its charter, relevant legislation, regulation and governance standards. In support thereof, Capitec enlisted the services of independent remuneration advisors to advise and assist with various remuneration matters, including the review of variable incentives.

The REMCO is satisfied that these services, as rendered, were independent and objective.

At the 2024 AGM, shareholders will have the opportunity to vote on remuneration. In line with the JSE Listings Requirements, there will be 2 separate votes on the remuneration policy and its implementation (Parts 2 and 3 of this report, respectively). If 25% or more of the shareholders vote against either or both, the REMCO will ensure that:

- the result is communicated in a SENS announcement and that due shareholder engagement processes take place. We welcome feedback from our shareholders and will use various methods of shareholder engagement to best accommodate the various shareholders and ensure proper and meaningful engagement. These methods may include written correspondence, individual meetings with large shareholders and REMCO representation at shareholder engagement sessions. Any engagement will be led by the REMCO chairman.
- in the following year's remuneration report, we will provide details on the engagement and steps taken to address legitimate and reasonable objections and concerns.

We believe the Capitec remuneration policy and its implementation support the long-term business strategy of the company and look forward to receiving our stakeholders' support.

Vusi Mahlangu

Chairman of the REMCO

22 April 2024

Part 2: Remuneration philosophy and policy

The remuneration policy, governed by the REMCO, promotes the achievement of company strategic objectives and risk management to foster enduring value creation for stakeholders.

Remuneration governance

The REMCO operates in terms of its board-approved charter, which adheres to section 64C of the Banks Act. The charter is reviewed annually.

The REMCO's mandate is to ensure that we establish and observe remuneration policies and practices that:

- attract and retain individuals able to create enduring and sustainable value
- address remuneration risks inherent in the banking environment.

In carrying out its mandate, the REMCO has unrestricted access to all the activities, records, property and employees of the company. In addition, the REMCO may access external legal or other independent professional advice to execute its responsibilities as detailed in its charter.

In line with the recommendations of King IV™, the REMCO consists of 3 non-executive directors, of whom 2 are independent. The REMCO meets formally at least twice a year. In addition, topics are discussed at less formal occasions leading up to the formal meetings. The REMCO met twice during the 2024 financial year.

Composition of the REMCO as at 29 February 2024

Attendee	Role	Capacity	Meeting attendance
V Mahlangu	*Chairman*	*Independent non-executive director*	2
SL Botha	*Member*	*Independent non-executive director (chairman of the board)*	2
PJ Mouton	*Member*	*Non-executive director*	2

The following individuals attend the REMCO meetings as standing invitees:

- MSdP le Roux (non-executive director)
- CA Otto (non-executive director)
- GM Fourie (CEO)
- R Butler (executive: human resources).

Invitees to the REMCO meetings have no vote and are not present when issues affecting their own remuneration are discussed.

Remuneration philosophy

Our remuneration philosophy originates from our stewardship of stakeholder interests. We develop strategies that best serve stakeholder interests through sustainable growth. Remuneration is based on the successful implementation of these strategies, ensuring performance-aligned pay.

This philosophy is integrated across all employee levels to ensure that we only reward actions that advance stakeholder interests. Our strategies and KPIs are communicated to employees upfront to ensure clarity, alignment, transparency and collaboration across the business. We take care to remain relevant in the market and compete effectively for critical talent.

Frugality and the responsible use of our resources remain entrenched in our culture and demonstrate our commitment to our fundamental principle of affordability. This pillar underpins the sustainability of our relationships with our clients and employees. With this in mind, we drive innovation, continuous improvement and internal talent development to grow income, produce efficiencies and realise our people's potential. This, in turn, helps us to manage our salary expense while remaining competitive in acquiring and retaining the right talent.

General remuneration principles

The following remuneration principles support our remuneration philosophy:

Fair and responsible remuneration

People are at the core of our business, and Capitec is committed to the principle of fair and responsible remuneration and ensuring that key management remuneration is fair and responsible in the context of overall employee remuneration. As a responsible employer, Capitec is sensitive to socio-economic challenges and the need for corporates to address unfair income disparities in society.

In addition, we constantly seek to ensure that the implementation of our remuneration policy results in fair and responsible remuneration and that employees have access to flexible employee benefits that are affordable and accessible.

Continuous efforts in this regard include:

- driving employee awareness and take-up of benefits and learning and development opportunities to realise more value for employees, with special attention paid to the lower levels where there are challenges in terms of exposure and understanding how these opportunities improve employees' quality of life
- continued support of the credit health and general financial wellness of employees through education, awareness and credit rehabilitation in partnership with a specialist service provider
- ensuring internal fair pay practices by continuing to ensure that equal pay is provided for work of equal value so that there are no income disparities based on gender, race or any other unacceptable grounds of discrimination. This includes regular job evaluations and benchmarking.

Benchmarking

Employees below executive level

Capitec continuously monitors the competitiveness of employees' TR through external benchmarking. For employees below executive level, the company uses the REMchannel® remuneration survey to obtain market insights into remuneration and reward trends as well as relevant benchmark information.

Executives

Executive remuneration is benchmarked externally at least every 2 years against a comparator group of JSE-listed companies similar in size in terms of market capitalisation and/or industry to ensure that remuneration is fair and in line with the market. In addition, Capitec looks at the remuneration for the 4 traditional South African banks as the company's closest competitors. The comparator group is reviewed by the REMCO from time to time to ensure that the composition remains relevant. The following companies are included in the comparator group:

- Absa Limited
- Discovery Limited
- FirstRand Limited
- Nedbank Group Limited
- Old Mutual Limited
- Sanlam Limited
- Shoprite Holdings Limited
- Standard Bank Limited
- Vodacom Group Limited.

Elements of remuneration and pay mix

We apply appropriate remuneration structures and proportionate splits of TR into TGP, STIs and LTIs according to levels of influence (operational, tactical and strategic) and corresponding time horizons (short, medium and long term).

Group	Key management representing executives and divisional executives (including the CEO and CFO)	Strategic leadership	Senior leadership	Middle management (includes critical roles)
Focus	Leading strategy formulation	Strategic delivery (key management/future talent succession pool)	Critical tactical delivery (succession pool for strategic leadership)	Operational
Strategic view	Long term	Medium to long term	Medium term	Short to medium term

Remuneration report continued

Our remuneration offering is set out in the table below.

Element of remuneration	Overview	Eligibility	Period of delivery
TGP	Salary and benefits	All employees	Paid in a year.
STI	Key management bonus (no deferral, cash)	Key management and divisional executives	Paid in April after each financial year-end.
	Strategic and senior leadership bonus (cash component and award of CSRs – refer to LTI below)	Strategic and senior leadership	Paid in April after each financial year-end.
	Middle management bonus (all cash, with deferral). Employees can elect to defer the deferred cash portions into shares in terms of the restricted share plan (RSP) in respect of which employees will receive a small company match on the value of their deferred bonus portion.	Middle management and scarce and critical skills	Paid in tranches, a third in April after the year-end, a further third 1 year later and the final third 2 years later. Vesting for restricted shares, the RSP, is set out below.
	Employee bonus (no deferral, cash)	All other employees	Paid in April after each financial year-end.
LTI	Cash-settled share appreciation rights (SARs) and equity-settled options, the vesting of which is subject to prospective performance conditions. Equity-settled CSRs to be used as sign-on awards as part of buying out newly recruited key management from their existing LTI arrangements and to be used as a further lock-in mechanism for newly promoted key management.	SARs and options: Key management and divisional executives (annual awards) CSRs: Key management and divisional executives (only for sign-on awards or lock-in awards – *ad hoc* awards)	SARs and options: Deferred for 6 years with vesting occurring in years 3, 4, 5 and 6. CSRs: Deferred and vesting over a period of no shorter than 3 years.
	Equity-settled CSRs – annual awards of CSRs will be granted on the basis that the STI HEPS performance condition has been delivered, effectively representing a form of deferred STI. This will provide strategic and senior leadership with line of sight over the Capitec share price and long-term performance linked to sustainable shareholder value creation.	Strategic and senior leadership (annual awards)	CSRs vest 50% in year 3 and 50% in year 4.
	RSP – provides selected employees with the opportunity to defer their bonus into shares. The RSP can also be used to lock in future talent as needed.	Middle management employees and scarce and critical skills	Deferred for 2 years with vesting occurring after 1 and 2 years.
	Co-investment plan in which participants can choose to invest their own funds by acquiring Capitec shares and receive awards of net-settled share options (akin to equity-settled SARs).	By invitation: key management and divisional executives and strategic leadership	Awards vest in equal tranches in years 5, 6, 7 and 8.

Pay mix

Key management and divisional executives' pay mix

The key management and divisional executive pay mix is split proportionately between TGP, STIs and LTIs. The principles determining the key management and divisional executives' pay mix are:

- TGP should be market competitive and sufficient in quantum to ensure that key management and divisional executives do not rely on variable remuneration-based short-term goals and decision-making
- STI earning potential is conservative compared to the market, which supports Capitec's key remuneration principle of long-term alignment with shareholders' interests
- LTIs facilitate this long-term alignment with shareholders' interests to ensure that key management and divisional executives' pay mix aligns with their long-term focus; a large proportion of the package consists of performance-based LTIs paid or vested in tranches over a number of years. Key management and divisional executives' LTIs are subject to personal performance criteria at grant and company performance criteria at vesting.

As noted in the following STI section, Capitec does not have a set stretch target for the STI; rather, the STI can increase incrementally commensurate to the outperformance achieved on the HEPS target.

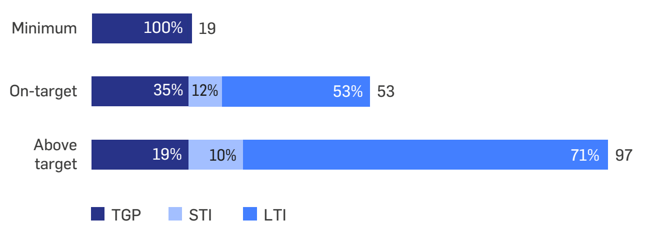
The LTI structure does not provide for a stretch outcome with regard to the ROE and HEPS measures as the LTI, that takes the form of share options and SARs, outperformance will be directly linked to Capitec's share price growth. It is important to emphasise that options and SARs participants only receive the difference in the growth in the share price between the award date and exercise date. Accordingly, higher share price growth results in a higher LTI outcome. Due to these nuances in our variable pay structure, our pay mix does not lend itself to the typical illustration of threshold, on target and stretch performance as recommended by King IV™.

Graphs setting out the pay mix of Capitec's executive directors for minimum, on-target and above-target performance are included purely for illustrative purposes and to demonstrate the strong pay-for-performance culture that is a core principle of our remuneration philosophy. Although the LTI does not make provision for a stretch outcome based on ROE and HEPS performance, the graph illustrates a potential 'above-target' LTI outcome in instances where Capitec outperforms in respect of share price growth.

The graphs assume the following:

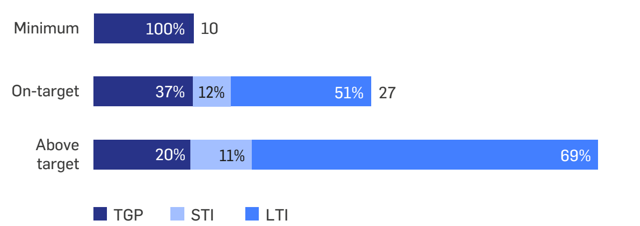
Element	Calculation minimum	On target	Above target
TGP	TGP as at 1 March 2024 (refer to **pages 124** and **125**). Benefits in line with those paid in the 2024 financial year and assumed that no TGP is converted into shares.		
STI	Nil	33% of annual TGP	54% of annual TGP
LTI	Nil	The maximum number of instruments granted in the 2025 financial year that might vest multiplied by the fair value on grant.	The maximum number of instruments granted in the 2025 financial year that might vest multiplied by a simulated share price growth between date of grant to vesting.

GM Fourie (million)



[(1)] *The LTI 'above target' is calculated as the number of share options that Capitec anticipates to grant multiplied by a simulated share price which grows at a rate which resembles the targeted headline earnings target.*

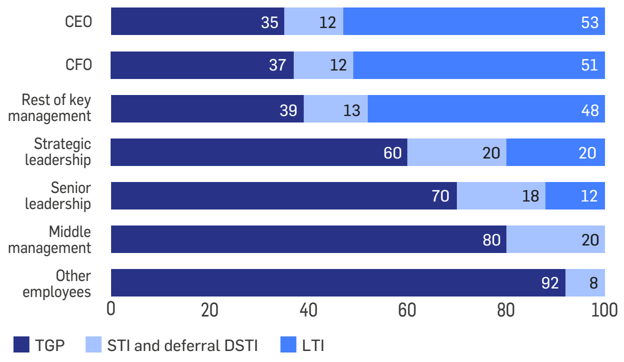
GR Hardy (million)



[(1)] *The LTI 'above target' is calculated as the number of share options that Capitec anticipates to grant multiplied by a simulated share price which grows at a rate which resembles the targeted headline earnings target.*

Remuneration report continued

Pay mix with on-target performance (%)



Pay mix for all employees

The pay mix is calibrated to provide an appropriate mix between short- and long-term focus, depending on the employee's line of sight and strategic influence.

Total guaranteed pay

Element	Description
2025 financial year policy changes	No changes
Overview and positioning	**Key management and divisional executives** TGP for key management and divisional executives is informed by: • the Capitec approach to the key management and divisional executives' pay mix described above • how TGP forms part of TR at market median (or the upper quartile in instances where this is warranted). Executive directors are remunerated for services as employees of Capitec Bank. No fees are paid for their services as directors of any other companies in the group.
	Other employees All employees receive guaranteed remuneration which is reflective of their job role. TGP is typically positioned at the median of the market. However, to ensure that Capitec is able to attract and retain scarce and key critical skills as well as top talent in a competitive job market, TGP for such positions may be positioned around the 75th percentile.
Components of TGP	TGP consists of guaranteed pay as well as benefits. In line with our employer value proposition, employees are guided on package structuring, but have options which can be adapted to suit their unique circumstances. Key employee benefits include: • risk benefits • funeral cover • medical aid and health insurance • gap cover • retirement planning • discounts on loan interest and banking fees • favourable home loan interest rates.

Element	Description
Annual review and increases	As a general principle, increases (including those of key management and divisional executives) are determined by taking the following factors into account: • Performance of the individual, team and company • Competence • Forecast profitability • The outcomes of benchmarking exercises • Economic factors, including the Consumer Price Index (CPI). The REMCO annually reviews and approves the salary increases of each individual member of the group EXCO. The REMCO is further presented with the proposed salary increase pool for all employees across Capitec, which is then reviewed and debated by the REMCO. The REMCO approves the annual salary increase pool and provides the authority to the CEO and divisional executives to distribute the increases as appropriate. Increases are typically effective from May.

Short-term incentive

Capitec's key management and divisional executives' remuneration policy and pay mix provide a modest cash STI which requires considerable performance. This is in line with Capitec's policy of risk alignment and encouraging long-term vision and decision-making by this group, as opposed to short-term goal setting. Below we provide detail regarding the STI arrangements for key to middle management levels of Capitec.

Key management and divisional executives

Element	Description
2025 financial year policy changes	No changes
Overview	The key management and divisional executives' annual bonus is designed to reward the achievement of the key performance and funding metric of HEPS. It is also designed to ensure that selected strategic sustainability measures are prioritised, as potential bonuses will be adjusted downwards in the event that these measures are not met. Targets are set by the REMCO annually to be truly stretching and only reward exceptional performance. The steps below outline the process followed: **Step 1: Calculation of the potential STI** This is evaluated on HEPS performance as set out in the 'earning potential' section below. **Step 2: Assessment of strategic/sustainability measures** The quantum of the bonus can be reduced by up to 30% if the strategic/sustainability measures were not successfully met. The bonus quantum in respect of HEPS performance cannot increase based on delivery of these measures.

Remuneration report continued

Element	Description			
Overview continued	**Strategic/ sustaina-bility measure**	**Weighting**	**Details of the measures holistically assessed**	
	Strategic	8% – 12%	A holistic assessment of the overall strategic performance of the group delivered during the financial year is performed, which assesses performance relative to strategic priorities identified to ensure appropriate and good-quality clients enter and remain in the Capitec ecosystem.	
	Risk and control	8% – 12%	The risk and control performance of the group is assessed based on measures such as maintaining optimum business and market conduct standards, proactively managing net operational risk losses to within risk appetite and minimising the risk of credit loss/impairments.	
	ESG	8% – 12%	ESG performance of the group is assessed based on measures such as accelerated B-BBEE transformation, accelerating diversity, equity and inclusion and year-on-year improvement in the S&P Global Corporate Sustainability Assessment overall ESG score.	
	Step 3: Personal performance A minimum level of personal performance is required for the STI as calculated to be paid. At a needs support level, the STI as calculated will be paid at 0% – 70%, as per the table below.			
	Personal KPI score	Needs support	Consistent performer	Exceptional performer
	% of STI paid	0% – 70%	100%	100%
Earning potential	The STI earning potential is based on an incremental uplift in headline earnings, as demonstrated below. 87% of target achievement is required to unlock 16.67% of GRP, and while the maximum STI as a % of GRP is uncapped, the additional amount for performance above target is modest. This creates an incentive to outperform, without creating excessive leverage, which may result in inappropriate levels of risk-taking.			
	Headline earnings	**Headline earnings (% of target achieved)**	**% of annual GRP[1]**	
	Below target	<87%	0%	
		87% – 99.99%	16.67% plus 8.33% for every 1% increase in headline earnings achieved up to target	
	Target	100%	33.33%	
	Above target	Tier 1: 101% – 119% of target	Tier 1: 33.33% plus 2.08% for every 1% increase in headline earnings achieved above target up until Tier 2	
		Tier 2: 120% of target	Tier 2: 39.58%	
		Tier 3: >120% of target	Tier 3: 41.67% plus 2.08% for every 1% increase in headline earnings achieved above 120% of target	
	[1] GRP is guaranteed package, excluding risk benefits.			
Payment	Cash			
Termination of employment	No payment on termination of employment other than formal retirement, death, permanent disability or retrenchment. For formal retirement, 100% payment is made at the normal retirement age of 65, as well as on early retirement (from 60 to 64 years).			

Strategic and senior leadership

Element	Description
2025 financial year policy changes	Strategic and senior leadership will continue to participate in a bonus scheme, however, in the event of outperformance, the cash component representing the outperformance element will be reduced relative to historical levels in exchange for an annual grant of CSRs to this employee group subject to HEPS performance. This change is intended to shift this employee group's mindset and focus towards a more medium-term outlook and will expose them to strategic execution and share price movement.
Eligibility	Strategic and senior management.
Overview	Participating employees receive the right to receive a cash amount and CSRs award. The cash amount is paid within 3 months following the February year-end. CSRs will vest over a vesting period (refer to the LTI section below). The bonus award, including granting of CSRs, is subject to the achievement of both personal performance and company performance criteria.
Performance conditions, weightings, targets, vesting outcomes	Performance-based criteria include minimum personal performance and minimum company performance (growth in HEPS) to qualify for an award.
Termination of employment	**Fault termination:** Full forfeiture on termination of employment other than formal retirement, death, permanent disability or retrenchment. **No fault termination:** No forfeiture applies. In terms of any historical deferred balances, these will be paid out in full, and in terms of retirement, 75% of historical balances in the scheme are paid out on early retirement from 60 to 64 years and the full balance is paid at the normal retirement age of 65.

Middle management

Element	Description
2025 financial year policy changes	No policy change but did introduce a further management layer. Refer to strategic and senior leadership above.
Eligibility	Middle management roles identified as critical to the success of the organisation are participants of the cash-settled middle management performance bonus scheme.
Overview	Participating employees receive an award consisting of the right to receive a cash amount on the vesting dates. Vesting of the award is subject to the achievement of both personal performance and company performance criteria. Following vesting, one-third of the award is settled in cash within 3 months following the February year-end, with the remaining portion being deferred and settled in equal tranches in years 1 and 2, from vesting date, respectively. Employees have the option to elect to defer all or a portion of the deferred portion of the bonus into restricted shares in terms of the RSP (see details below) and to receive a 10% company match on the rand value of the bonus so deferred. The shares will similarly vest in years 1 and 2 from vesting date.
Performance conditions, weightings, targets, vesting outcomes	Performance-based criteria include minimum personal performance and minimum company performance (growth in HEPS) to qualify for an award.
Termination of employment	**Fault termination:** Full forfeiture on termination of employment other than formal retirement, death, permanent disability or retrenchment. **No fault termination:** No forfeiture applies. In terms of any historical deferred balances, these will be paid out in full, and in terms of retirement, 75% of historical balances in the scheme are paid out on early retirement from 60 to 64 years and the full balance is paid at the normal retirement age of 65.

Remuneration report continued

Long-term incentive

Key management and divisional executives – SARs and share options

Element	Description
2025 financial year policy changes	Introduction of a new client satisfaction performance measure to support the execution of business strategy, with weightings bearing of 40% applicable to HEPS growth and ROE delivery, respectively, and 20% to client satisfaction. Enhanced the ROE measure to make it more challenging, by changing 'Target' of COE + 6% to COE + 8%. Introduced a 3-tiered vesting scale from a 2-tiered vesting scale implemented historically.
Instrument mix	Awards are fully subject to performance conditions and consist of 50% share options and 50% SARs.
Instrument	**Share options** With a share option, employees are entitled, but not obliged, to purchase a number of Capitec ordinary shares at an agreed date in the future for a predetermined price. The share option price is set equal to the market value of the share, being the 30-day volume-weighted average share price on the JSE immediately preceding the day on which the share options are granted. The number of shares the employee can purchase is determined by company performance measures and in reference to the growth in share price above the share option price over the vesting period. **Share appreciation rights** SARs operate similarly to the share options detailed above in terms of share option price, performance measures and vesting and exercise periods. SARs are settled in cash as opposed to equity. The amount settled is equal to the growth in share price above the share option price. The SARs scheme is a simple, effective instrument and does not dilute issued share capital. SARs are granted at the same time and on the same terms (other than settlement) as the share options.
Allocations	LTIs for key management and divisional executives are awarded annually as a percentage of TGP and consist of share options and SARs which are granted equally (i.e. each 50%).
Performance period	Performance measured over a 3-year period.

Element	Description
Performance measures, weightings, targets, vesting outcomes	**Performance measures and vesting period** Beyond the minimum personal performance measures for participation (KPIs contracted with the REMCO), vesting is subject to the following company performance measures for all awards of SARs and share options:

Measure	Weighting	Threshold (50%)	Intermediate (75%)	Target (100%)
Normalised HEPS over a 3-year average	40%	≥ CPI + gross domestic product (GDP) + 2%	≥ CPI + GDP + 4%	≥ CPI + GDP + 6%
Normalised ROE over a 3-year average	40%	≥ COE + 4%	≥ COE + 6%	≥ COE + 8%
Client satisfaction over a 3-year average	20%	75% - 77%	78% - 80%	>80%

Linear vesting will occur between vesting levels of each measure.

The HEPS and ROE calculation takes into consideration adjustments (if required) resulting from, for example, material dividend policy changes, regulatory changes or IFRS changes.

It is important to note that the 6% spread applicable to HEPS and the 8% spread applicable to ROE is set at the award date, taking into account facts, macroeconomic conditions and relative assumptions appropriate at the point of award.

Capitec chose an earnings metric and a return metric (equally weighted) as company performance measures for vesting to ensure that the combination motivates key management to drive both measures as opposed to one measure at the cost of the other.

Element	Description
Vesting	The share options and SARs vest in 25% tranches in years 3, 4, 5 and 6 after grant, depending on the achievement of the performance measures over the relevant performance period. Participants have a 9-month period after the date on which the share options vest to exercise their right to purchase the shares.
Termination of employment	**Fault termination:** In the case of just-cause dismissal or resignation, all unvested LTIs are forfeited. **No fault termination:** In the case of death or ill health, the REMCO has discretion to allow automatic vesting of all unvested LTIs. The following table sets out the vesting of an LTI on retirement, subject to the REMCO's discretion:

Retirement age	Share options and SARs
Before retirement (60 years)	Forfeit all non-vested share options and SARs
Early retirement (60 years – 64 years)	75% of share options and SARs awards will vest at the original future vesting dates
At retirement (65 years)	100% vesting of all share options and SARs awards at the original future vesting dates

Element	Description
Dilution	Since the establishment of Capitec, 18.11 million share options have been exercised. To date, 5.83 million ordinary shares have been issued in settlement of these exercised options. The balance of ordinary shares required to settle share options that have been exercised was acquired in the market. Shares acquired in the market for the purposes of LTI award settlement are non-dilutive, per JSE Listings Requirements Schedule 14 at 14.9(c), and shares settled through this method are therefore not considered in calculating usage against the limit. In terms of the Capitec Bank Holdings Share Trust (the Trust) deed, a maximum of 11.53 million ordinary shares may be issued for purposes of the Trust (scheme allocation), after which shareholder approval must be obtained to determine a new scheme allocation. The past dilutive effect of issues of ordinary shares, for purposes of the Trust since the inception of Capitec, remains at 5.04% of the issued ordinary share capital of Capitec as at 29 February 2024. The potential future dilutive effect is limited to 4.93% of the issued ordinary share capital of Capitec as at 29 February 2024.

Remuneration report continued

Conditional share rights

Element	Description
Eligibility	Strategic and senior leadership (annual awards) Key management and divisional executives (only for sign-on awards or lock-in awards)
Operation	Annual allocations for strategic and senior leadership, subject to delivery of targeted HEPS and personal performance. *Ad hoc* allocation for newly appointed or promoted key management subject to delivery of targeted HEPS and personal performance.
Instrument	Full shares
Allocations	The full LTI allocation for this level of employee is made in CSRs.
Performance measures	The performance measurement for CSR awards will be dependent on HEPS and personal performance.
Vesting	The CSRs will vest in equal tranches in years 3 and 4 from date of grant.
Termination of employment	**Fault termination:** In the event of an employee's resignation, abscondment or dismissal, all unvested awards will be forfeited in their entirety and lapse on termination of employment. **No fault termination:** In the case of death, retrenchment, ill health or disability, the employment condition will be deemed to have been met and all unvested awards will vest in full on the date of termination of employment unless the REMCO determines otherwise. The following table sets out the vesting of an LTI on retirement, subject to the REMCO's discretion:

Retirement age	CSR awards
Before 60 years	Forfeit all CSR awards
From 60 years to 64 years	75% of CSR awards will vest at the original future vesting dates
At 65 years	100% vesting of CSR awards

Other LTI plans

Restricted share plan

Element	Description
Eligibility	Middle management who have elected to defer the deferred portion of their bonus into restricted shares in terms of the RSP.
Operation	In order to provide for greater alignment with shareholders and to allow participants to benefit from the success of the company, participants can elect that all or a portion of a deferred award in terms of the middle management performance bonus scheme be delivered in Capitec restricted shares in terms of the RSP upon which election employees will receive a small company match. The RSP is used as a retention tool, offering employees in middle management an opportunity to share in the ownership of the group and so further align these employees' interests with those of the business and our shareholders.
Instrument	Restricted shares
Allocations	Where employees opt for shares, they will also receive a company match of 10% of the rand value of their award in additional restricted shares.
Vesting	The shares will vest in equal tranches in years 1 and 2, from the middle management bonus determination and deferral date. Participants receive all shareholder rights from the award date, including dividend and voting rights.
Termination of employment	**Fault termination:** In the event of an employee's resignation, abscondment or dismissal, all unvested awards will be forfeited in their entirety and lapse on termination of employment. **No fault termination:** In the case of death, retrenchment, ill health or disability, the employment condition will be deemed to have been met and all unvested awards will vest in full on the date of termination of employment unless the REMCO determines otherwise. The following table sets out the vesting of an LTI on retirement, subject to the REMCO's discretion:

Retirement age	RSP awards
Before 60 years	Forfeit all RSP awards
From 60 years to 64 years	75% of RSP awards will vest at the original future vesting dates
At 65 years	100% vesting of RSP awards at the date of termination of employment

Co-investment plan

The co-investment plan is used on an invitation basis to drive a culture of ownership and to provide an element of lock-in for key management and divisional executives and strategic leadership. It also ensures pay is aligned to the shareholder experience by having increased 'skin-in-the-game'. This plan does not form part of Capitec's annual total reward.

The co-investment plan is structured in such a way as to incentivise participants to remain invested in the business over an 8-year period. The operation and salient features of this plan are set out in the table below.

Element	Description
Eligibility	Participation on a selection basis and can include members of key management, divisional executives and strategic leadership.
Operation	Eligible participants are invited to participate in the co-investment plan. In order to accept the invitation, participants are required to meet the investment condition by investing their own funds in Capitec through the purchase of shares (investment shares) in respect of which the participants then subsequently receive awards of leveraged net-settled share options. The purchase of these investment shares can be done through the Capitec Employee Share Purchase Scheme by using all or a portion of an employee's STI after tax (in the case of key management and divisional executives). For strategic leadership employees, investment shares can be acquired through the Capitec Employee Share Purchase Scheme by using the cash portion of the bonus on an after-tax basis. Participants are required to retain their purchased shares over a set investment period of 3 years, failing which their award of net-settled share options will be forfeited proportionally. Eligibility to participate is limited to select participants identified by Capitec on predetermined criteria.
Instrument	Leveraged net-settled share option with a strike price which reduces by 5% on an annual basis over the 8-year exercise period.
Gatekeeper for entry to plan and quantum of awards	Upon the acquisition of these investment shares, participants then receive an award of leveraged net-settled share options at a multiple of up to 3 times that of their pre-tax investment quantum. There are no sale or forfeiture restrictions applied to the investment shares, however, where a participant has disposed of the investment shares prior to the vesting of the net-settled share options, the award of net-settled share options will be reduced proportionately.
Reducing strike price	The strike price of unvested net-settled share options will be adjusted downwards annually by 5% over a period of 8 years. This ensures that participants are incentivised to both grow the company's share price and remain invested in the co-investment plan over a longer period of time.
Vesting and exercise	The vesting of net-settled share options will be subject to continued employment and the net-settled share options will vest and become exercisable in 3 equal tranches on the fourth, sixth and eighth anniversaries from the award date. Following vesting, participants have until the tenth anniversary of the award date to exercise their SARs. The strike price reduction applicable at exercise is determined with reference to the number of complete years which have passed from the award date.
Termination of employment	If the participant's employment terminates before the vesting date of an award, all unvested SARs will be forfeited upon such termination. Where employment is terminated after the vesting date of an award, participants may exercise all vested SARs before the end of the relevant notice period. To the extent that an SAR is not exercised during this period, it will lapse.
Lifespan of plan	The co-investment plan is not intended for long-term use or for making annual awards. It is proposed to make 3 to 4 awards in terms of this plan whereafter the plan can be used on an as-needed basis.
Dilution	Exercised share options will be settled in Capitec shares which will be purchased on the market. The co-investment structure is therefore not dilutive to shareholders.

Alignment of remuneration with risk

The REMCO forms part of the formal risk governance framework and its charter mandates it to assess the appropriateness of the risk/reward relationship in remuneration structures. The REMCO is guided by the following:

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

The REMCO reviews variable remuneration and incentive plans to ensure that they are based on a measurable end result.

Malus and clawback

The REMCO has adopted a malus and clawback policy with a view to further align the interests of executive directors with the long-term interests of Capitec and all its stakeholders and to ensure that excessive risk-taking is mitigated. The malus and clawback policy applies to all key management, divisional executives and strategic leadership participants and is applicable to all prospective STI and LTI awards.

Following recommendations from the REMCO, the board may act to adjust (malus) or recover (clawback) any STI or LTI paid/settled on the occurrence of a trigger event. Trigger events include (but are not limited to):

- material misstatement of financial statements
- dishonesty, fraud or gross misconduct.

Executive director and key management agreements

Executive directors and other members of key management do not have fixed-term or bespoke key management agreements, but are employed in terms of the group's standard employment agreement. For all members of key management and divisional executives, the notice period for termination of service is 3 months. Normal retirement age ranges from 60 to 65 years, unless the board requests to extend this term.

No additional payments are made to key management upon termination of employment (apart from those required in terms of labour legislation).

Upon termination of employment, all STIs are forfeited. Unvested LTIs will be treated in accordance with the LTI policy (refer to **page 126**, termination of employment and effect on an unvested LTI).

Risk and compliance employees' remuneration

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

The audit committee ensures that these employees are correctly and fairly remunerated. A bonus cap ensures that the remuneration of employees in internal audit roles is in line with best practice. Bonuses for internal audit employees are capped at 5 times an employee's monthly salary (41.67% of their annual salary).

Minimum shareholding requirements

Minimum shareholding requirements (MSRs) expose key management to the same risks and rewards faced by Capitec's shareholders. Capitec's key management voluntarily hold an outright share ownership (through direct shareholding and not unvested LTIs) that is not less than the value of the following proportion of their respective TGP as at 29 February 2024:

Position	Minimum holding in proportion to TGP
CEO	300%
CFO	300%
Key management	100%

The minimum holding should be retained until termination of employment. The percentage shareholding should be achieved within 5 years from 1 March 2016 or within 5 years of a key management appointment. The executive directors' value is disclosed in Part 3 of this report.

Shareholding is measured annually using the average value of the Capitec share price over a period of 52 weeks, expressed as a percentage of key management's TGP.

Non-executive director fees

Non-executive director remuneration is based on a fixed-fee structure not related to meeting attendance. The chairman of the board is paid a retainer and receives no further payment for committee membership. Board members receive a retainer for board membership and for each board committee on which they serve. No fee is paid for members of the DAC.

Capitec's approach is to benchmark board and committee fees to the median of the comparator group. From 2024 onwards, it is proposed to benchmark the fees for the RCMC and audit committee chairmen to the 75th percentile to take into account the increased complexity in the banking environment.

Non-executive directors do not qualify for any STI.

No new LTI allocations are made to non-executive directors, however, previous tenure as a member of key management may result in legitimate vesting of a previously awarded LTI. Non-executive directors are reimbursed for their direct and/or indirect expenses reasonably and properly incurred in the performance of their duties. Non-executive directors who, in terms of taxation requirements, supply a tax invoice with VAT, receive their approved non-executive director fees accordingly.

Proposed 2025 financial year non-executive director fees

Towards the end of the 2024 financial year, Capitec conducted an external benchmarking exercise against a comparator group of companies as part of reviewing the non-executive director fees. The same comparator group was used as for the executive directors, as set out in the table below.

The benchmarking concluded that a number of the non-executive director fees still remain out of line with the median of the market (refer to the following table).

Capitec follows a stepped approach towards bringing all of the positions in closer proximity to the median of the comparator group, while capping annual increases at a maximum of 30% and only adding inflationary increases to the other positions. The consequential adjustment in fees for the 2025 financial year therefore serves to provide market alignment between the non-executive directors' responsibilities and risks of peer non-executive directors operating in comparable industries to Capitec. While it is noted that the increases represent a meaningful adjustment in some instances, the board believes it is necessary to ensure the continued attraction of suitable talent.

The following proposed 2025 financial year non-executive director fees will be tabled for approval by shareholders (in terms of the Companies Act) at the AGM to be held on 31 May 2024. Refer to special resolution number 1 in the notice of the AGM.

Directors' fees	2024 R	Change %	2025 R	Comparator group market median[1] R	Banks average[2] R
Chairman of the board[3]	5 300 000	5	**5 590 000**	4 758 336	7 307 902
Lead independent director[4]	338 000	6	**357 000**	1 460 248	2 015 630
Directors	534 000	5	**563 000**	552 714	533 699
Chairman of the audit committee[5]	917 000	6	**968 000**	818 728	938 900
Audit committee member	324 000	19	**387 000**	337 987	399 682
Chairman of the DAC	—	—	**—**	—	242 133
DAC member	—	—	**—**	—	120 113
Chairman of the RCMC[4]	718 000	29	**923 000**	603 958	877 664
RCMC member	281 000	30	**365 000**	285 016	375 188
Chairman of the REMCO	416 000	6	**439 000**	422 454	571 130
REMCO member	196 000	6	**207 000**	201 995	242 417
Chairman of the SESCO	365 000	8	**396 000**	396 020	450 256
SESCO member	149 000	6	**158 000**	158 399	192 604
Subcommittee of the board	82 600	5	**87 100**	—	—

(1) 2024 market median determined using latest published benchmarking data, referencing Capitec's comparator group, with benchmark performed in November 2023.

(2) 2024 banks average determined using latest published benchmarking data referencing the 4 traditional South African banks, with benchmark performed in November 2023

(3) This is an all-inclusive figure and includes the fee for Capitec Life.

(4) The total lead independent director's fees amounts to R1.7 million.

(5) Chairman of the audit committee and chairman of the RCMC are being aligned to the 75th percentile of the comparator group due to the complexity in the banking environment.

Part 3: Implementation report

This part of the report provides insight into the implementation of our remuneration policy during the year ended 29 February 2024.

It details the remuneration paid to both executive directors and non-executive directors, in particular:

- the TGP increases approved in line with the Capitec TR policy approach
- STI performance versus the targets set
- the LTI awards granted in the reporting year to eligible employees ensuring continued retention and alignment with shareholders' interests and the pay-for-performance philosophy
- the LTI awards vesting in the reporting year
- the fair value of unvested LTI awards remaining, which demonstrated alignment between executive directors and shareholders' interests
- an overview of the incremental TR growth over the past 5 years compared to some key financial metrics (being the value added to shareholders in terms of metrics such as headline earnings, ROE and share price growth)
- a single remuneration figure for the value of actual TGP paid, STI paid and any LTIs vesting in the 12 months following year-end
- the executive directors' shareholding compared to MSRs
- the non-executive director fees paid to individuals for their services as board and committee members as approved by shareholders.

Total guaranteed pay

For the 2024 financial year, the average increase for employees was 6.75%, 8% for the CEO and 25% for the CFO. The CFO adjustment was primarily attributable to ensuring that the CFO, who was newly promoted to this role, is competitively positioned to the market (refer to **page 121** in Part 2).

Short-term incentive

In terms of our remuneration policy, a small proportion of key management and divisional executive remuneration is delivered through the STI which is determined based on the audited percentage target achieved of group annual headline earnings and non-financial strategic initiatives. In order for a member of key management to receive an STI, the group headline earnings target must have been achieved. Capitec does not have a set stretch target in place. Rather, the STI bonus pool allows for the pool to be incrementally uplifted on a sliding scale in the event of outperformance in group headline earnings relative to target which correlates directly with the percentage of the STI payable. As noted above, Capitec performed strongly during the financial year and delivered headline earnings of R10.6 billion, which is 100% of target.

Performance measurement for determining the STI outcome is done in a stepped approach.

Step 1: The group financial performance is measured in terms of headline earnings against the targets set at the beginning of the year. This provides a potential earning pool.

Step 2: The result from step 1 can then be adjusted downward by up to 30% for the entire key management, based on non-financial sustainability measures.

Based on the shareholder feedback requesting enhanced disclosure of the application of group KPIs, we have provided a more detailed overview of this on the following page.

Step 3: The result from step 2 is then subject to personal performance measures on an individual basis which may result in as much as the entire STI not being paid out to that individual.

Step 1: Group financial performance measurement

The table below sets out an overview of the sliding scale used to determine the STIs payable in respect of the headline earnings target achieved.

	Performance targets			Actual performance
	Below target %	Target %	Above target	%
Headline earnings (% of target achieved)	<100	100	Tier 1: 100% – 109.9% of target Tier 2: 110% of target Tier 3: >110% of target	100
% of annual GRP	—	33.3	Tier 1: 33.3% plus 1.67% for every 1.2% of headline earnings achieved above target Tier 2: 50% Tier 3: 50% plus 1.67% for every 1.2% of headline earnings achieved above 110% of target	33.3

Linear interpolation applies between performance levels.

Step 2: Non-financial sustainability measures

All measures were sufficiently met resulting in no downward adjustment of earnings based on non-financial sustainability measures.

The following table sets out the performance assessment against the KPIs set at the start of the year:

Performance category	Overall weighting (%)	Strategic objectives	Overall assessment
Strategic	10	• Key strategic growth initiatives unlocking client value • Digital transformation – data migration to the cloud and digital commerce initiatives • Client service delivery	Overall achieved
Risk and control	10	• Maintain optimum business and market conduct standards • Manage risk appetite and volatility • Minimise the risk of credit loss/impairment	Overall achieved
ESG	10	• Expedite B-BBEE transformation • Accelerate diversity, equity and inclusion • Effective management of our environmental footprint	Overall achieved

Step 3: Personal performance

The REMCO reviewed the personal performance of key management with regard to the non-financial strategic initiatives, which included measures in respect of efficiency, business delivery, diversification of income stream, people, quality clients, innovative digital and data and service experience and is satisfied with each member of key management's performance.

As such, no downward adjustment was made to the STI based on individual performance.

STI outcomes

Key management	TGP R'000	% payable as an STI	STI payable R'000
GM Fourie	17 496	100	5 832
GR Hardy	8 750	100	2 917

Long-term incentive

The following section sets out details of the instruments granted during the year, instruments vesting during the year (included in the single-figure table) and instruments that remain unvested at the end of the financial year. For instruments exercised during the year, we set out the cash value received on exercise.

LTI awards granted in the reporting year

In line with our remuneration policy as set out in Part 2 (from **page 120**), grants of share options and SARs were made to executive directors during the year. Share options and SARs are subject to performance measures. Details of the number of shares and the share options price are set out in the unvested awards table on **pages 138** and **139**.

LTI awards vesting in the reporting year

For the financial year ended 29 February 2024, Capitec only has share options and SARs with performance measures vesting. Performance measures were introduced for all LTIs granted from 2016 onwards. All awards vest in equal tranches in years 3, 4, 5 and 6. Capitec has reviewed the methodology set out in the King IV™ guidance notes issued by the South African Reward Association (SARA) and the Institute of Directors South Africa (IoDSA).

For share options and SARs that have performance measures, the guidance notes suggest that the value of share options and SARs is included in the single-figure table at year-end aligned with when the performance period ends. As Capitec uses tranche vesting, there is a significant timing misalignment between the end of the performance period (3 years) and the achievement of the employment condition and resultant vesting (years 3, 4, 5 and 6). For this reason, the REMCO has taken the decision to report the value in the single-figure table in respect of the share options and SARs that are due to vest within 12 months of the financial year-end as it accurately reflects the economic value to participants at the time of vesting.

Achievement of performance measures

All executive directors achieved their personal performance targets (KPIs contracted with the REMCO) over the reporting year.

Beyond the minimum personal performance measures for participation, vesting was subject to company performance for all awards of SARs and share options.

The table below sets out the vesting performance measures for the March 2021 share options and March 2021 SARs.

Performance measure	Weighting %	Performance target	Actual performance %	Actual vesting %
HEPS	50	3-year average growth exceeding the 3-year average of CPI + GDP + 4% Target: 12.3%[1]	36	50
ROE	50	3-year average ROE exceeding the 3-year average ROE of the big 4 traditional banks in South Africa + 2% Target: 16.8%	26	50
Total				100

Key management LTIs are aimed at driving company performance and share price growth over the long term, with the LTI outcomes being directly linked to the growth in Capitec Bank Holdings Limited's share price, and employees only receiving the growth in share price above the strike price. In addition to meeting both the ROE and HEPS performance targets in full, Capitec Bank Holdings Limited also delivered outstanding share price growth of 45% over the performance period above the strike price of R1 392.19, which is reflected in the LTI outcomes set out in the following table.

The following table below sets out the resultant number of shares available for vesting based on the achievement of performance measures.

Executive	Type of instrument	Shares awarded	Performance condition achievement %	Strike price R	Number of shares vesting
GM Fourie	Share options	21 681	100	1 392.19	21 681
	SARs	21 681	100	1 392.19	21 681
	Total				**43 362**
GR Hardy	Share options	—	100	—	—
	SARs	—	100	—	—
	Total				**—**
NS Mashiya	Share options	—	100	—	—
	SARs	—	100	—	—
	Total				**—**

The table below sets out details of the value of awards included in the single-figure table on **page 140**. We used a year-end share price of R2 017.77.

Executive	Type of instrument	2019 awards R'000	2020 awards R'000	2021 awards R'000	2022 awards R'000	Value of shares included in single-figure table R'000
GM Fourie	Share options	6 520	4 304	6 975	3 391	21 190
	SARs	6 520	4 304	6 975	3 391	21 190
	Total					42 380
GR Hardy	Share options	—	—	456	—	456
	SARs	—	—	456	—	456
	Total					912
NS Mashiya	Share options	—	—	—	—	—
	SARs	—	—	—	—	—
	Total					—

LTI unvested awards

The following table sets out the unvested instruments remaining for each executive director. It includes a calculation of the indicative value of unvested instruments at the end of the 2024 financial year and a calculation of the cash value of instruments exercised in the 2024 financial year. The methodology used in determining these values is in line with the guidance notes issued by SARA and the IoDSA.

Before studying the table, it is important to consider the following:

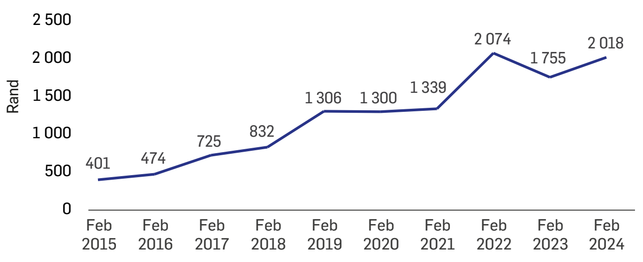
- The indicative value of unvested instruments is an estimated value and is not an actual reflection of the value of the award that will vest in future. This estimated value takes into account the expected level of vesting and the 2024 financial year-end share price
- The cash value of instruments exercised in the year represents the gain made on the exercise of instruments during the year
- The indicative value of unvested instruments and the cash value of instruments exercised in the year should not be added together.

Date of award	Number of instru-ments awarded	Strike price R	Number of instru-ments vested and exercised	Number of instruments lapsed	Closing number of unvested instru-ments	Indicative value of unvested and/or unexer-cised instru-ments R'000	Number exercised in the year	Share price at which instru-ments were exercised R	Cash value of instru-ments exercised in the year R'000
	A	B	C	D	E = A-C-D	F	G	H	I = G x (H-B)
GM Fourie									
Options									
2018	25 507	705.93	25 507	—	—	—	6 376	1 810.02	7 040
2019	22 957	881.76	17 218	—	5 739	6 520	5 739	1 810.02	5 327
2020	20 428	1 175.01	10 214	—	10 214	8 608	5 107	1 810.02	3 243
2021	26 703	973.05	6 676	—	20 027	20 923	6 676	1 810.02	5 588
2022	21 681	1 392.19	—	—	21 681	13 563	—	—	—
2023	18 513	2 067.19	—	—	18 513	—	—	—	—
2024	**23 681**	**1 828.19**	**—**	**—**	**23 681**	**4 489**	**—**	**—**	**—**
SARs									
2018	25 507	705.93	25 507	—	—	—	6 376	1 810.02	7 040
2019	22 957	881.76	17 218	—	5 739	6 520	5 739	1 810.02	5 327
2020	20 428	1 175.01	10 214	—	10 214	8 608	5 107	1 810.02	3 243
2021	26 703	973.05	6 676	—	20 027	20 923	6 676	1 810.02	5 588
2022	21 681	1 392.19	—	—	21 681	13 563	—	—	—
2023	18 513	2 067.19	—	—	18 513	—	—	—	—
2024	**23 681**	**1 828.19**	**—**	**—**	**23 681**	**4 489**	**—**	**—**	**—**
GR Hardy									
Options									
2021	1 646	911.63	—	—	1 646	1 821	—	—	—
2023	4 535	2 067.19	—	—	4 535	—	—	—	—
2023	1 646	2 106.13	—	—	1 646	—	—	—	—
2024	**11 053**	**1 828.19**	**—**	**—**	**11 053**	**2 095**	**—**	**—**	**—**
SARs									
2021	1 646	911.63	—	—	1 646	1 821	—	—	—
2023	4 535	2 067.19	—	—	4 535	—	—	—	—
2023	1 646	2 106.13	—	—	1 646	—	—	—	—
2024	**11 053**	**1 828.19**	**—**	**—**	**11 053**	**2 095**	**—**	**—**	**—**
NS Mashiya									
Options									
2018	5 414	705.93	5 414	—	—	—	1 353	1 595.82	1 204
2019	4 749	881.76	3 562	1 187	—	—	1 187	1 595.82	848
2020	3 509	1 175.01	1 755	1 754	—	—	877	1 595.82	369
2021	4 587	973.05	1 147	3 440	—	—	1 147	1 595.82	714
2021	6 287	909.58	—	6 287	—	—	—	—	—
2022	5 883	1 392.19	—	5 883	—	—	—	—	—
2023	5 964	2 067.19	—	5 964	—	—	—	—	—
SARs									
2018	5 414	705.93	5 414	—	—	—	1 353	1 595.82	1 204
2019	4 749	881.76	3 562	1 187	—	—	1 187	1 595.82	848
2020	3 509	1 175.01	1 755	1 754	—	—	877	1 595.82	369
2021	4 587	973.05	1 147	3 440	—	—	1 147	1 595.82	714
2021	6 287	909.58	—	6 287	—	—	—	—	—
2022	5 883	1 392.19	—	5 883	—	—	—	—	—
2023	5 964	2 067.19	—	5 964	—	—	—	—	—

Key management value creation

As noted previously, the key management LTIs are aimed at driving company performance and share price growth over the long term, with the LTI outcomes being directly linked to the growth in Capitec's share price, and employees only receiving the growth in share price above the strike price. The graph on the right provides an overview of Capitec's steady and continuous share price growth delivery over the past 10 years. This growth is reflected in the LTI outcomes included in the previous LTI tables and in the single-figure table that follows below.

Capitec Bank Holdings Limited share price



The table below compares the headline earnings of Capitec over the past 6 years with the total executive remuneration paid in each respective year. The REMCO is satisfied that the level of executive pay as a proportion of headline earnings is reasonable, especially when one considers the value created for investors over the period in comparison to the incremental total executive remuneration increase over the same period. Note that the value included below in respect of total executive remuneration differs from that in the single-figure table as it uses the fair value at grant for LTIs rather than the indicative value of awards that have vested.

	Headline earnings R'm	Total key management remuneration[1] R'm	Remuneration as % of headline earnings	ROE %
2024	**10 578**	**128**	**1**	**26**
2023	9 153	114	1	25
2022	8 440	140[2]	2	26
2021	4 586	104	2	17
2020	6 277	105	2	28
2019	5 292	109	2	28
Value created over 5-year period versus remuneration cost differential	**5 286**	**19**		

[1] *Includes all key management TGPs, STIs and LTIs at fair value granted during the year and measured on the reporting date.*

[2] *The 2022 key management remuneration was an exceptionally high value due to the combined impact of the exceptional share price and HEPS growth over the 2022 financial year on the fair value of the LTI and STI, respectively. The value normalised for the 2023 financial year.*

Executive director single figure

The following table illustrates a single remuneration figure for the value of guaranteed pay, benefits, STIs and LTIs. The corresponding value for the preceding year is included.

Executive director R'000	Guaranteed pay	Benefits	TGP	STI	LTI[3]	Total remuneration for the year
2024						
GM Fourie	**16 545**	**951**	**17 496**	**5 866**	**42 378**	**65 740**
GR Hardy	**7 824**	**926**	**8 750**	**2 870**	**912**	**12 532**
NS Mashiya[1]	**389**	**4**	**393**	**—**	**—**	**393**
Total	**24 758**	**1 881**	**26 639**	**8 736**	**43 290**	**78 665**
2023						
GM Fourie	16 000	920	16 920	5 427	39 744	62 091
GR Hardy[2]	4 667	46	4 713	1 563	694	6 970
NS Mashiya[1]	6 664	88	6 752	—	7 718	14 470
Total	27 331	1 054	28 385	6 990	48 156	83 531

[1] *Mr NS Mashiya received no STI due to his resignation effective 7 May 2023.*

[2] *Mr GR Hardy was appointed to the CFO position on 1 July 2022 and, as such, his STI and TGP is pro-rated by the number of months within the financial year that he was in the CFO position.*

[3] *The LTI included in the single figure takes into consideration both the delivery on the underlying ROE and HEPS performance measures, and the significant growth in Capitec's share price from date of award up to the end of the 2024 financial year.*

Executive director shareholding

In the 2017 financial year, the REMCO introduced MSRs for executive directors and other key management (refer to the related section under Part 2: Remuneration philosophy and policy from **page 120**).

The REMCO is satisfied that the CEO and CFO continue to meet their MSRs and exhibit a strong buy-in to the principle of alignment with shareholder interests.

The percentage shareholding as at financial year-end is:

Position	% of TGP
CEO	10 268
CFO[1]	74

[1] *The CFO is within the 5-year window period after appointment to the position.*

Shareholding is measured annually using the average value of the Capitec share price over a period of 52 weeks, expressed as a percentage of key management's TGP.

Non-executive director actual fees (as approved at the previous AGM)

Non-executive directors received no other remuneration or benefits beside directors' fees. Non-executive directors are reimbursed for their direct and/or indirect expenses reasonably and properly incurred in the performance of their duties. Non-executive directors who, in terms of taxation requirements supply a tax invoice with VAT, receive their approved non-executive director fees accordingly.

For the financial year, non-executive director fees were as follows (excluding any reimbursement and VAT):

Non-executive director R'000	2024	2023	Change %
NF Bhettay[1]	**413**	—	
SL Botha *(chairman)*	**5 300**	4 393	21
SA du Plessis	**1 725**	1 417	22
CH Fernandez	**1 418**	941	51
N Ford-Hoon[2]	**413**	—	
MSdP le Roux	**616**	580	6
V Mahlangu	**1 482**	1 268	17
TE Mashilwane[3]	**712**	1 136	(37)
DP Meintjes[4]	**275**	1 029	(73)
PJ Mouton	**1 093**	920	19
CA Otto	**897**	951	(6)
JP Verster	**2 166**	1 665	30
Total	**16 097**	14 300	13

[1] *Ms NF Bhettay was appointed on 7 September 2023.*

[2] *Ms N Ford-Hoon was appointed on 7 September 2023.*

[3] *Ms TE Mashilwane resigned on 30 September 2023.*

[4] *Mr DP Meintjes retired on 26 May 2023.*

04

annual financial statements

The preparation of the Capitec Bank Holdings Limited audited consolidated and separate annual financial statements was supervised by the chief financial officer (CFO), Grant Hardy CA(SA).

+15%

5-year compound annual growth

+16%

R10.578 billion Headline earnings

Directors' responsibility statement

Capitec Bank Holdings Limited and its subsidiaries (Capitec or the group)

The directors are responsible for the preparation, integrity and fair presentation of the consolidated and separate financial statements of Capitec, comprising the statements of financial position as at 29 February 2024, the income statements, statements of other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended and the notes to the financial statements which include material accounting policy information and other explanatory notes.

The financial statements have been prepared in accordance with IFRS® Accounting Standards, including IFRIC® interpretations issued by the IFRS Interpretations Committee (Committee), the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee, the Johannesburg Stock Exchange Limited (JSE) Listings Requirements, the Banks Act, Act 94 of 1990 (Banks Act) and the requirements of the Companies Act, Act 71 of 2008 (Companies Act).

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 financial statements and that all IFRS Accounting Standards that are considered applicable have been applied. The directors are satisfied that the information contained in the financial statements fairly presents the results of operations for the year and the financial position of the group and company at year-end.

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

Capitec operates 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 executive directors and management of Capitec are responsible for the control over and security of the website and, specifically, for establishing and controlling the process for electronically distributing annual reports and other financial information to shareholders.

The consolidated financial statements were prepared on a going concern basis. Based on their assessment, the directors have no reason to believe that the group or any company in the group will not continue as a going concern in the foreseeable future. The directors reviewed the group budget and cash flow forecasts for the next 3 years and considered current and anticipated economic conditions. The impact of the macroeconomic environment on the group's capital, funding and liquidity requirements was considered and remained within internal targets and above regulatory requirements.

The directors also prepared the directors' report and the other information included in the integrated annual report and are responsible for both their accuracy and consistency with the annual financial statements.

The group adhered to the Code of Corporate Practices and Conduct.

The group's external auditors, PricewaterhouseCoopers Inc. (PwC) and Deloitte & Touche (Deloitte), audited the financial statements and their report is presented on **pages 149** to **157**.

The financial statements set out on **pages 158** to **339** were approved by the board of directors and signed on its behalf on 22 April 2024 by:

Santie Botha
Chairman

Gerrie Fourie
Chief executive officer (CEO)

Chief executive officer's and chief financial officer's responsibility statement

Each of the directors, whose names are stated below, hereby confirm that:

- the financial statements set out on **pages 158** to **339**, fairly present, in all material respects, the financial position, financial performance and cash flows of the issuer in terms of IFRS Accounting Standards
- to the best of our knowledge and belief, no facts have been omitted, or untrue statements made, that would make the financial statements false or misleading
- internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries has been provided to effectively prepare the financial statements of the issuer
- the internal financial controls are adequate and effective and can be relied upon in compiling the financial statements, having fulfilled our role and function as executive directors with primary responsibility for implementation and execution of controls
- where we are not satisfied, we have disclosed to the audit committee and the auditors any deficiencies in design and operational effectiveness of the internal financial controls, and have taken steps to remedy the deficiencies
- we are not aware of any fraud involving directors.

Gerrie Fourie
Chief executive officer

Grant Hardy
Chief financial officer

22 April 2024

Certificate by the group company secretary

I hereby confirm, in my capacity as group company secretary of Capitec, that for the year ended 29 February 2024, the company has filed all required returns and notices in terms of the Companies Act, and that all such returns and notices are to the best of my knowledge and belief true, correct and up-to-date.

Yolande Mouton
Group company secretary

22 April 2024

Audit committee's report

Capitec Bank Holdings Limited and its subsidiaries (Capitec or the group)

The Capitec audit committee (the committee) is an independent statutory committee appointed by the board of directors in terms of section 64 of the Banks Act and section 94 of the Companies Act, to the extent applicable.

The committee comprises 4 independent non-executive directors and 1 non-executive director. The members have the necessary experience and expertise to direct the committee in the execution of its duties. The committee met 5 times during the year with 91% attendance by members at the meetings.

The committee's responsibilities include statutory duties in terms of the Companies Act, as well as responsibilities assigned to it by the group's board of directors. The committee's terms of reference are set out in 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 29 February 2024.

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

- Satisfied itself that the external audit firms and designated audit partners are independent of the group or any company in the group, as set out in section 94(8) of the Companies Act, and are suitable for reappointment by considering, *inter alia*, the latest Independent Regulatory Board for Auditors inspection findings report and information stated in paragraph 22.15(h) of the JSE Listings Requirements
- Satisfied itself that the appointment of the auditors complied with the Companies Act and any other legislation relating to the appointment of auditors
- In consultation with executive management, agreed to the auditors' engagement letter, terms, audit plan and budgeted fees for the 2024 financial year
- Approved the nature and extent of non-audit services that the external auditors may provide and confirmed that the non-audit services did not compromise the external auditors' independence
- Nominated, for election at the annual general meeting (AGM), PwC and Deloitte as the external audit firms
- Resolved that it be recommended to shareholders at the 2024 AGM that KPMG Inc. be appointed as joint auditor in respect of the 2025 financial year. The appointment is subject to the approval of the Prudential Authority (PA). PwC is required to step down as joint auditor after the conclusion of the 2024 financial year audit
- Satisfied itself, based on the information and explanations supplied by management and obtained through discussions with the independent external auditors and internal auditors, that the system of internal financial controls of all the companies included in the consolidated financial statements is effective and forms a basis for the preparation of reliable financial statements
- Reviewed the accounting policies and the consolidated and separate financial statements for the year ended 29 February 2024 and, based on the information provided to the committee, considers that the group complies, in all material respects, with the requirements of the Companies Act, the Code of Corporate Practices and Conduct and IFRS Accounting Standards
- Undertook the prescribed functions in terms of section 94(7) of the Companies Act on behalf of the subsidiary companies of the group
- Approved the key audit matters
- Satisfied itself as to the performance and quality of the external audit after due consideration and with reference to the audit quality indicators.

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

- Considered the information disclosed in the integrated annual report and satisfied itself that the information is reliable and consistent with the financial results. The committee, at its meeting held on 19 April 2024, recommended the integrated annual report for approval by the board of directors
- Satisfied itself that the group's internal audit function is independent and had the necessary resources and authority to enable it to discharge its duties
- Approved the internal audit charter and the annual internal audit plan
- Considered the internal audit reports submitted to the committee and noted the annual conclusion on the adequacy and effectiveness of the system of internal controls, risk management and governance
- Reviewed the reports from the external auditors and reported on the findings at board meetings
- Satisfied itself, as contemplated in paragraph 3.84(g)(ii) of the JSE Listings Requirements, that appropriate financial reporting procedures exist and are working, including consideration of all the entities included in the consolidated financial statements
- Met with the external auditors and with the heads of the internal audit function and compliance function without management being present
- Satisfied itself, in terms of JSE Listings Requirement 3.84(g)(i), that the group financial director has appropriate expertise and experience.

Jean Pierre Verster
Chairman of the audit committee

22 April 2024

Directors' report

To the shareholders of Capitec Bank Holdings Limited (Capitec or the group)

The directors present their report to shareholders for the year ended 29 February 2024.

Nature of the business

Capitec was incorporated in South Africa on 23 November 1999 and registered as a bank controlling company, as envisaged by the Banks Act on 29 June 2001. Capitec was listed on the JSE on 18 February 2002.

The company holds 100% of its principal subsidiaries, Capitec Bank Limited, Capitec Ins Proprietary Limited and Capitec Bank Insurance Holdings Limited. Capitec Bank Limited is a leading South African retail and business bank which focuses on essential banking services and provides innovative savings, transacting and lending products to individuals and small- and medium-sized businesses. The cell captive arrangements, which were transferred to Capitec Ins Proprietary Limited by Capitec Bank Limited effective 31 March 2021, enable Capitec Ins Proprietary Limited to provide long-term insurance products to Retail bank clients. Capitec Bank Insurance Holdings Limited holds 100% of Capitec Life Limited. Capitec Life Limited holds a long-term insurance licence and operated as an insurance company during the 2024 financial year.

Review of operations

The operating results and the state of affairs of the company and the group are fully disclosed in the annual financial statements, and commentary is provided in the Reports from the chairman, chief executive officer and the chief financial officer, which are included in the integrated annual report.

Ordinary and preference shares issued

No ordinary shares were issued during the year (2023: same). The number of shares in issue per the shareholders' register amounted to 116 099 843 (2023: 116 099 843). No ordinary shares were repurchased for cancellation during the current or prior year. At the reporting date, the group held 292 246 treasury shares (2023: 313 979) in Capitec Bank Holdings Limited.

No preference shares were issued during the year. A total of 62 758 (2023: 24 851) preference shares were repurchased.

Dividends to shareholders

The following dividends were declared for the current and previous years:

	Dividends per share (cents) 2024	Dividends per share (cents) 2023
Ordinary dividend		
Interim	**1 530**	1 400
Final	**3 345**	2 800
Preference dividend		
Interim	**480.35**	343.08
Final	**488.22**	417.45

The final ordinary dividend for 2024 was approved by the directors on 22 April 2024.

The directors performed the solvency and liquidity tests required by the Companies Act.

Subsidiaries, associates and joint ventures

Information relating to the company's financial interest in its subsidiaries, associates and joint ventures is presented in the notes to the annual financial statements.

Notice in terms of section 45(5) of the Companies Act

Capitec and Capitec Bank Limited are required, as an essential part of conducting the business of the group, to provide financial assistance to group companies as part of their day-to-day operations in the form of loan funding, guarantees or general financial assistance as contemplated in section 45 of the Companies Act. In accordance with section 45(5) of the Companies Act, shareholders will be given notice in the notice of annual general meeting to be dated 26 April 2024 that the board, in line with existing practice, approved that the company may, in accordance with and subject to the provisions of section 45 of the Companies Act, and in terms of the special resolution passed, provide such direct or indirect financial assistance to related and interrelated companies as described in section 45 of the Companies Act.

Auditors' remuneration

The audit fee per audit firm is illustrated below.

R'000	GROUP 2024	2023
PwC		
Audit fees – current year	**23 326**	19 823
Audit fees – prior year	**1 278**	1 345
Other services	**—**	3 238
	24 604	24 406
Deloitte		
Audit fees – current year	**25 260**	18 805
Audit fees – prior year	**1 876**	1 473
Other services	**613**	3 454
	27 749	23 732

R'000	COMPANY 2024	2023
PwC		
Audit fees – current year	**170**	157
Audit fees – prior year	**—**	—
Other services	**—**	—
	170	157
Deloitte		
Audit fees – current year	**170**	157
Audit fees – prior year	**—**	—
Other services	**—**	—
	170	157

Segment information

Refer to note 36 in the notes to the financial statements for the segment information.

Events after the reporting period

There have been no material changes in the group's affairs or financial position since the statement of financial position date with the exception of:

- The acquisition of an additional 57.03% shareholding in Avafin Holdings Limited (Avafin), an international online lender in which Capitec Bank Holdings Limited held a 40.66% interest.
- The reinsurance recapture of the funeral product cell captive, effective 1 November 2024, at which point Sanlam Developing Markets Limited (Sanlam) will cease to provide reinsurance and any administration services to the Centriq cell captive held by Capitec Ins Proprietary Limited.
- On 12 April 2024, the Constitutional Court of South Africa decided on the matter between Capitec Bank Limited and the Commissioner for the South African Revenue Service (SARS) which was heard on 5 September 2023. The orders of the Tax Court and Supreme Court of Appeal were set aside and the assessment for Capitec Bank Limited's November 2017 value-added tax period was remitted to SARS for examination and assessment in accordance with the principles set out in the judgement.

  Based on the judgement, Capitec Bank and SARS are required to re-engage to determine the apportionment of input tax deducted by Capitec Bank Limited. Based on the fact that Capitec Bank and SARS have yet to engage, there is no additional certainty to quantify the impact of the decision and the judgement is therefore a non-adjusting event.

Refer to note 47 for details regarding the events.

Directors and group company secretary

Information relating to the directors and group company secretary is included from **pages 79** to **81** of the integrated annual report.

The directors' interest in share capital and agreements and directors' remuneration are disclosed in the notes to the annual financial statements.

Board changes

The following directors stepped down from the board during the year: Nkosana Mashiya on 31 March 2023, Zunaid Bulbulia on 24 April 2023, Danie Meintjes on 26 May 2023 and Emma Mashilwane on 30 September 2023. Naidene Ford-Hoon and Nadya Bhettay were appointed to the board effective 7 September 2023.

Jean Pierre Verster will retire from the board on 31 May 2024 and relinquish his position as chairman of the audit committee. He will be succeeded by Naidene Ford-Hoon who will serve as chairman of the audit committee effective 1 June 2024.

Independent auditors' report

To the shareholders of Capitec Bank Holdings Limited

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Capitec Bank Holdings Limited (the Company) and its subsidiaries (together the Group) as at 29 February 2024, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with IFRS Accounting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Capitec Bank Holdings Limited's consolidated and separate financial statements set out on **pages 158** to **339** comprise:

- the consolidated and separate statements of financial position as at 29 February 2024;
- the consolidated and separate income statements for the year then ended;
- the consolidated and separate statements of other comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of material accounting policy information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated and separate financial statements* section of our report.

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

Independence

We are independent of the Group in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards).*

Our audit approach

Overview

Overall group materiality

- R672 million, which represents 5% of consolidated operating profit before tax.

Group audit scope

- Full scope audits were performed in respect of Capitec Bank Holdings (which was scoped in for statutory purposes), Capitec Bank Limited and Capitec Ins Proprietary Limited (which were scoped in based on their financial significance to the Group).
- Analytical review procedures were performed on the remaining components, all of which were considered to be financially insignificant to the Group.

Key audit matters

- Provision for expected credit losses (ECL) on loans and advances:
  - Retail bank segment; and
  - Business bank segment.
- Adoption of IFRS 17 – Insurance Contracts (IFRS 17) replacing IFRS 4 – Insurance Contracts (IFRS 4) as well as the valuation of the insurance contract assets as at 29 February 2024

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	R672 million
How we determined it	5% of consolidated operating profit before tax.
Rationale for the materiality benchmark applied	We chose consolidated operating profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

In addition to a full scope audit of Capitec Bank Holdings Limited, which was scoped in for statutory purposes, full scope audits were performed for Capitec Bank Limited and Capitec Ins Proprietary Limited due to their financial significance to the Group. Significant components were determined based on their contribution to the Group's consolidated operating profit before tax and the consolidated total assets of the Group. We performed analytical review procedures on the remaining components which were considered to be financially insignificant

In establishing the overall approach to the group audit, we determined the type of work that needed to be performed by us, as the group joint engagement team. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained in order to issue our audit opinion on the consolidated financial statements of the Group.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our report in respect of the separate financial statements.

Key audit matter	How our audit addressed the key audit matter
Provision for expected credit losses (ECL) on loans and advances Refer to note 8 to the consolidated and separate financial statements (Net loans and advances) for the related disclosures. We determined the ECL assessment for loans and advances pertaining to the Retail bank segment and Business bank segment to be a matter of most significance to the current year audit due to: • the degree of subjective judgement and estimation applied by management in determining the ECL; and • the magnitude of the ECL recognised in relation to gross loans and advances.	We obtained an understanding and assessed the operating effectiveness of the relevant controls (using a combination of techniques such as enquiry, inspection, observation and reperformance) relating to the origination and approval of credit facilities.
Retail bank segment* As at 29 February 2024, gross loans and advances for the Retail bank segment amounted to R83.8 billion, against which an ECL of R21.4 billion was recognised. The ECL for the Retail bank segment is calculated in terms of International Financial Reporting Standards (IFRS) 9 – *Financial Instruments* (IFRS 9). The key areas of significant management judgement and estimation included: ***Evaluation of SICR*** • Determining whether evidence exists that there has been a significant increase in credit risk (SICR) since initial recognition of the financial instrument, by considering if clients have reached certain behaviour risk thresholds or where specific events have occurred that indicate a SICR. ***Determination of the write-off point*** • Considering the point at which there is no reasonable expectation of further recovery to be made, when the expected present value of projected future recoveries approximates 5% of the gross balance before write-off. This point is estimated based on recovery estimates that are driven by account status, handover score and consecutive missed payments.	***Retail bank segment**** Making use of our actuarial and economics expertise, our audit procedures addressed the key areas of significant judgement and estimation in determining the ECL on loans and advances, as follows: We assessed the associated impairment methodologies and practices applied by management against the requirements of IFRS 9. ***Evaluation of SICR*** • We recalculated the application of management's SICR thresholds and triggers including the corresponding impact on the ECL by applying the assumptions and data included in management's model. • We assessed the appropriateness of the SICR methodology and tested the resultant transfer rate of SICR accounts into stage 2. This included benchmarking the transfer rate against the volume of up-to-date accounts that went into arrears based on historical trends as well as increases in risk determined by management's forward-looking macroeconomic model. • We performed a sensitivity analysis of SICR to assess the impact of change in SICR thresholds on the ECL recognised. • We evaluated management's validation of the performance of behavioural scores, scores at initial recognition and the correlation of these to default rates. • We obtained an understanding of management's process for identifying employer groups under stress and observed that these identified employer groups have been considered in management's calculation of the granting scores. ***Determination of the write-off point*** • We considered historical post write-off recoveries to evaluate the reasonableness of management's assessment which indicates that the current write-off point is still the point at which there was no reasonable expectation of further recovery. • Through a sample recalculation, we tested the application of the IFRS 9 write-off policy. • Through recalculation, we evaluated whether post write-off recoveries have been excluded from the LGD calculation and therefore do not impact on ECL.

Independent auditor's report continued

Key audit matter	How our audit addressed the key audit matter
Inclusion of the impact of forward-looking information and macroeconomic variables in the ECL calculation • Utilising a 5 year macroeconomic outlook of three scenarios (baseline, positive and negative scenario) and associated probability weightings to project future changes in the selected macroeconomic variables. These scenarios are provided by the Bureau for Economic Research (BER) and approved by the Asset and Liability Committee (ALCO). The scenarios are then linked to Probability of default (PD) to derive a forward-looking ECL. • Selection of macroeconomic variables per 14 client risk segments and correlation of changes and lags in these variables, along with their associated weighting, to forecast default rates to derive a forward-looking ECL. The correlation considers that certain variables and lags are more appropriate than others, depending on the clients' risk segment. ***Calibrating of ECL statistical model components (PD, EAD, LGD)*** • Calibrating of the ECL statistical model components PD, Exposure at default (EAD) and Loss given default (LGD) used to estimate the timing and amount of the forecast cash flows based on historical default data, roll rates and recoveries. The Group stratifies aspects such as client risk segments, time on book, product term, payment frequency, default statuses, employment, industry and rescheduling status and the behaviour score of the client. Management judgement is required to consider how historical data is used to project ECL. ** This applies to Term loans, Access facility and Credit card.*	***Inclusion of the impact of forward-looking information and macroeconomic variables in the ECL calculation*** • We inspected ALCO approval of the use of the BER variables and weightings. • We considered the assumptions used in the forward-looking macroeconomic model, specifically around the forward-looking scenarios used, the macroeconomic variables and outlook considered for each scenario as well as the probability weighting of each scenario for reasonableness. We discussed these with management and compared these to our own and benchmarked economic forecasts and independent market data. • We assessed the reasonability of the selection of the macroeconomic variables for each of the 14 client risk segments. This included independent reperformance of the statistical model for each segment, assessment of the reasonability of the variables and lags selected for each segment and consistency between segments. The forecast default rates were also considered in the context of recent and historical actual default rates of each segment to ensure that forecasts were aligned to the macroeconomic outlook in the scenarios. ***Calibrating of ECL statistical model components (PD, EAD, LGD)*** • Through discussion with management and inspection of documentation, we obtained an understanding of the methodologies and assumptions used by management in the various ECL model components and how these were calibrated to use historical information to estimate future cash flows. • Through our independent reperformance and backtesting of the ECL model, we assessed the model components and how these were calibrated to use historical information to estimate future cash flows. • On a sample basis, we compared input data into the impairment models to source systems for critical input data fields.

Key audit matter	How our audit addressed the key audit matter
Business bank segment** As at 29 February 2024, gross loans and advances for the Business bank segment amounted to R19.1 billion, against which an ECL of R1.1 billion was recognised. The ECL for the Business bank segment is calculated in terms of IFRS 9. The key areas of significant management judgement and estimation included: ***Evaluation of SICR*** • Determining whether evidence exists that there has been a SICR since initial recognition of the financial instrument, by considering adverse changes in the performance or business of borrowers. ***Inclusion of the impact of forward-looking information and macroeconomic variables in the ECL*** • Utilising a 5 year macroeconomic outlook of three scenarios (baseline, positive and negative scenario) and associated probability weightings to project future changes in the selected macroeconomic variables. These are provided by the BER and approved by the ALCO. The scenarios are then linked to PD to derive a forward-looking ECL. • Selection of macroeconomic variables and correlation of changes in these variables, along with their associated weighting, to forecast default rates to derive a forward-looking ECL. • In respect of the LGD parameter, LGDs are stressed using historically observed losses to apply specific collateral haircuts. ***Determination of management overlays in the ECL*** • Management adjusts the results produced by the modelled output for events that influence the ECL, which are not yet captured by the model after significant expert consultation which is subject to a governance process. ***Calibrating of ECL statistical model components (PD, EAD, LGD)*** • Calibrating of the ECL statistical model components PD, EAD, and LGD used to estimate the timing and amount of the forecast cash flows based on historical default data roll rates and recoveries. The Group stratifies aspects such as client risk segments, product type and the behaviour score of the client. Management judgement is required to consider how historical data is used to project ECL. *** This applies to Business loans and Mortgage loans.*	***Business bank segment***** Making use of our actuarial and economics expertise, our audit procedures addressed the key areas of significant judgement and estimation in determining the ECL on loans and advances, as follows: ***Evaluation of SICR*** • We recalculated the impact of SICR, applying the assumptions and data included in management's model by considering adverse changes in the performance or business of borrowers. • We tested the SICR triggers applied and the resultant transfer into stage 2 for SICR. This included benchmarking of the volume of up-to-date accounts transferred to stage 2 based on history. • Through discussion with management, we obtained an understanding of management's process for identifying adverse changes in the performance or business of borrowers and how these drive additional ECL overlays and/or stage migrations. ***Inclusion of the impact of forward-looking information and macroeconomic variables in the ECL calculation*** • We considered the assumptions used in the forward-looking macroeconomic model, specifically around the forward-looking scenarios used, the macroeconomic variables and outlook considered for each scenario as well as the probability weighting of each scenario for reasonableness. We discussed these with management and compared these to our own and benchmarked economic forecasts and independent market data. • We tested the performance and sensitivity of the forward-looking macroeconomic model in order to evaluate whether the chosen macroeconomic factors and model structure provides a reasonable representation of the impact of macroeconomic changes on the ECL and baseline information built into the forward-looking macroeconomic model. • We assessed the reasonableness of the increase in ECL for specific expected deterioration in collateral recovery rates and performed haircut stresses on the collateral. ***Determination of management overlays in the ECL*** • We assessed the reasonableness of the management overlays and we evaluated whether this was subject to an appropriate governance process. ***Calibrating of ECL statistical model components (PD, EAD, LGD)*** • Through discussion with management and inspection of documentation, we obtained an understanding of the methodologies and assumptions used by management in the various ECL model components and how these were calibrated to use historical information to estimate future cash flows. • Through our independent reperformance and backtesting of the ECL model, we assessed the accuracy of model components and how these were calibrated using historical information to estimate expected credit losses. • On a sample basis, we compared input data into the impairment models to source systems for critical input data fields.

Independent auditor's report continued

Key audit matter	How our audit addressed the key audit matter
Adoption of IFRS 17 – Insurance Contracts (IFRS 17) replacing IFRS 4 – Insurance Contracts (IFRS 4) as well as the valuation of the insurance contract assets as at 29 February 2024 Refer to following notes to the consolidated and separate financial statements for the related disclosures: • note 3 (Restatement – adoption of IFRS 17 and related assessments) relating to 1 March 2022; and • note 10 (Insurance contract assets/(liabilities)). We determined the adoption of IFRS 17 replacing IFRS 4 as well as the valuation of the insurance contract assets as at 29 February 2024 to be a matter of most significance due to the following: • Judgement applied in assessing the Group's election and application of the transition approach as it relates to the adoption of IFRS 17; • Judgement and estimation applied by management in determining the valuation of the Group's insurance contract assets as well as the impact of incorrect data inputs at year end; and • The magnitude of the insurance contract assets (including reinsurance) in relation to the total assets of the Group at year end.	
Adoption of IFRS 17 replacing IFRS 4 In adopting IFRS 17, which became effective on 1 January 2023, the Group restated its insurance contract balances previously recognised in terms of IFRS 4. The Group calculated the opening balances on the adoption of IFRS 17 at the transition date, being 1 March 2022. The Group concluded that it was impracticable to apply the fully retrospective approach in calculating the opening balances at transition date. As a result, the Group elected to apply the modified retrospective approach as permitted by IFRS 17, at the transition date. In applying the modified retrospective approach, the Group applied certain key modifications to estimate the present value of future cash flows, plus a risk adjustment for non-financial risk (RA) and a contractual service margin (CSM), including coverage units, on adoption. The impact of initial application of IFRS 17 on the consolidated financial statements resulted in a decrease of R609 million to the Group's total equity as at 1 March 2022, as reflected in note 3 to the consolidated financial statements.	We performed the following procedures over the Group's accounting for the adoption of IFRS 17 replacing IFRS 4: • We assessed the appropriateness of the key management assumptions used to determine the valuation of insurance contracts at the transition date, taking into account the Group's governance process followed. • We assessed and challenged the Group's justification for impracticability to apply the fully retrospective approach and its election of the modified retrospective transition approach for the contracts entered into prior to 1 March 2022. Making use of our actuarial expertise, we tested the Group's transition approach by performing the following procedures: • We obtained an understanding of the methodologies and models used by the Group for transition and applied our industry knowledge and experience to evaluate whether the selected assumptions, methodologies and models were appropriate. • We tested the application of the policy and methodology decisions through inspection of underlying documentation against the Group's accounting policies and the requirements of IFRS 17. • We obtained an understanding and assessed the appropriateness of the Group's judgements and valuation assumptions applied in determining the measurement of the present value of future cash flows, RA and CSM, including the coverage units. • We reconciled a sample of the relevant data sources to the previous years' audited information to test the accuracy of information used. • We tested the methodology, logic and mathematical accuracy of the modified retrospective approach calculations through the use of independent recalculations and a comparison of the calculation logic to industry comparable models.

Key audit matter	How our audit addressed the key audit matter
The valuation of insurance contract assets as at 29 February 2024 As at 29 February 2024, the Group recognised insurance contract assets with a carrying value of R3.0 billion. The valuation of the Group's insurance contract assets (including reinsurance) is calculated in terms of IFRS 17. The key areas of significant management judgement and estimation included in the valuation of insurance contract assets as at 29 February 2024 include: • The determination of fulfilment cash flows, specifically the present value of future cash flows, RA and CSM; • Significant uncertainties relating to the magnitude and timing of the projected cash flows and the use of significant unobservable assumptions applied in valuing the present value of the future cash flows contained in the insurance assets; • Establishing the key assumptions relating to future events within complex actuarial models which require expert judgement. Changes in these key assumptions can have material impacts on the present value of future cash flows and CSM. These key assumptions include; – mortality and morbidity; – expenses; – lapse rates; – retrenchment rates; and – discount rates; • The experience investigations that management performs annually to understand the actual experience compared to the basis used in valuations; and • The Group allocates insurance contracts that are managed together and are subject to similar risks to portfolios. For each portfolio, the Group applies judgement to conclude whether reasonable and supportable information is available to conclude that a set of contracts will all be in the same profitability group.	We tailored our testing of the insurance contracts with reference to the procedures performed during the transition audit. Making use of our actuarial expertise, we performed the following procedures to assess the reasonableness of the valuation of the insurance contract assets as at 29 February 2024: • We assessed the appropriateness of significant model and methodology enrichments. • We challenged the key assumptions and the methodologies and processes used to determine and update these assumptions through comparison with externally observable data and our assessment of the Group's analysis of experience to date and allowance for future uncertainty. Our challenge focused on the following assumptions: – mortality and morbidity; – expenses; – lapse rates; – retrenchment rates; and – discount rates. • For a sample of management's experience investigations, we performed a look-back analysis using actual policy administration data to assess that the experience assumptions align to actual performance. • We evaluated the accuracy of the RA for non-financial risk, including the calculation method, and the related release of the RA. • The reasonableness of the amortisation of the CSM was assessed as follows: – We tested the methodology and logic of models used through independent recalculations on a sample of models; and – We tested the appropriateness of management's data and assumptions including the coverage units used in the valuation and release of the CSM. • We assessed the reasonability of the CSM build-up from opening balance to closing balance, focussing on new business, interest accretion and changes in assumptions that impact future service, amongst others. • We assessed the profitability group allocations for new business. • We assessed the completeness and accuracy of policyholder data transferred from policy administration systems to the actuarial models.

Independent auditor's report continued

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "*Integrated Annual Report 2024 Capitec Bank Holdings Limited*", which includes the Directors' report, the Audit committee's report and the Certificate by the group company secretary as required by the Companies Act of South Africa. The other information does not include the consolidated or the separate financial statements and our auditors' report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with IFRS Accounting 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 consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and/or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. and Deloitte & Touche have been the joint auditors of Capitec Bank Holdings Limited for 4 years. Prior to the commencement of the joint audit relationship PricewaterhouseCoopers Inc. was the sole auditor of Capitec Bank Holdings Limited for 19 years.

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PricewaterhouseCoopers Inc.	**Deloitte & Touche**
Director: Dale Stonebridge	*Per Partner: Lito Nunes*
Registered Auditor	*Registered Auditor*
Johannesburg	Johannesburg
4 Lisbon Lane	5 Magwa Crescent
Waterfall City	Waterfall City
South Africa	South Africa

22 April 2024

Statements of financial position

As at 29 February 2024

R'000	Note	GROUP 2024	GROUP Restated(1) 2023	GROUP Restated(1) 1 March 2022	COMPANY 2024	COMPANY 2023
Assets						
Cash and cash equivalents	4	**29 021 223**	31 013 939	34 238 828	**310 196**	9 633
Financial assets at fair value through profit or loss (FVTPL)	5	**553 980**	289 051	—	**—**	—
Financial investments at amortised cost	6	**68 110 551**	61 034 237	62 939 724	**—**	—
Term deposit investments	7	**7 791 467**	3 628 162	722 190	**—**	—
Net loans and advances	8	**80 551 697**	78 167 803	66 549 103	**—**	—
Other receivables	9	**8 406 867**	4 803 264	2 807 161	**254 840**	2 727
Insurance contract assets	10	**2 960 944**	1 970 734	745 311	**—**	—
Derivative assets	46	**33 604**	33 555	14 586	**9 206**	—
Financial assets – equity instruments at fair value through other comprehensive income (FVOCI)	11	**82 415**	73 880	72 680	**—**	—
Current income tax asset	40.4	**—**	40 701	—	**—**	—
Interest in associates and joint ventures	12	**727 056**	600 068	394 346	**308 073**	242 391
Interest in subsidiaries	12	**—**	—	—	**6 212 518**	6 018 182
Property and equipment	13	**3 511 330**	3 291 918	3 021 555	**—**	—
Right-of-use assets	14	**1 856 615**	1 821 415	1 909 435	**—**	—
Intangible assets including goodwill	15	**1 401 975**	1 435 629	1 348 005	**—**	—
Deferred income tax asset	16	**2 568 902**	2 431 699	2 769 410	**—**	—
Total assets		**207 578 626**	190 636 055	177 532 334	**7 094 833**	6 272 933
Liabilities						
Derivative liabilities	46	**20 602**	23 683	33 848	**—**	—
Current income tax liability	40.4	**251 977**	—	301 951	**—**	—
Deposits	17	**152 994 134**	144 059 409	132 398 377	**—**	—
Wholesale funding	17	**3 020 834**	2 438 794	2 060 193	**—**	—
Other liabilities	18	**5 364 933**	3 874 119	4 745 859	**10 657**	12 708
Insurance contract liabilities	10	**—**	—	198 323	**—**	—
Lease liabilities	19	**2 383 183**	2 305 062	2 424 694	**—**	—
Employee benefit liabilities	20	**12 370**	14 622	212 144	**—**	—
Group loans payable	21	**—**	—	—	**37 791**	24 405
Deferred income tax liability	16	**—**	—	—	**2 486**	—
Total liabilities		**164 048 033**	152 715 689	142 375 389	**50 934**	37 113
Equity						
Capital and reserves						
Ordinary share capital and premium	22	**5 456 540**	5 406 108	5 649 020	**5 649 020**	5 649 020
Izindaba Ezinhle Employee Share Scheme	43.2	**—**	—	—	**491 978**	491 978
Cash flow hedge reserve	23	**7 244**	1 544	(12 405)	**6 720**	—
Other reserves	23	**(17 661)**	(25 371)	(28 625)	**—**	—
Foreign currency translation reserve	23	**101 574**	77 610	31 438	**—**	—
Share option reserve	23	**515 809**	515 809	515 809	**23 831**	23 831
Retained earnings		**37 423 827**	31 895 742	28 950 541	**829 090**	22 067
Share capital and reserves attributable to ordinary shareholders		**43 487 333**	37 871 442	35 105 778	**7 000 639**	6 186 896
Preference share capital and premium	22	**43 260**	48 924	51 167	**43 260**	48 924
Total equity		**43 530 593**	37 920 366	35 156 945	**7 043 899**	6 235 820
Total equity and liabilities		**207 578 626**	190 636 055	177 532 334	**7 094 833**	6 272 933

(1) The financial statements have been restated for the adoption of IFRS 17 Insurance Contracts. Refer to note 3 Restatement – adoption of IFRS 17 and related assessments.

Income statements

Year ended 29 February 2024

R'000	Note	GROUP 2024	GROUP Restated(1) 2023	COMPANY 2024	COMPANY 2023
Interest and similar income(2)	24				
Interest income		**25 805 800**	21 199 263	**579**	437
Interest income calculated using the effective interest rate	24.1	**25 118 273**	20 783 348	**579**	437
Interest income on financial assets at FVTPL	24.2	**687 527**	415 915	**—**	—
Interest expense	24.3	**(9 341 813)**	(6 992 691)	**—**	—
Net interest income		**16 463 987**	14 206 572	**579**	437
Credit impairments(3)	30	**(8 725 334)**	(6 329 385)	**—**	—
Net interest income after credit impairments		**7 738 653**	7 877 187	**579**	437
Non-interest income(2)					
Loan fee income		**1 219 308**	1 087 787	**—**	—
Loan fee expense		**(11 140)**	(9 094)	**—**	—
Net loan fee income	25	**1 208 168**	1 078 693	**—**	—
Transaction fee and commission income		**20 855 906**	16 561 749	**—**	—
Transaction fee and commission expense		**(6 068 779)**	(5 100 638)	**—**	—
Net transaction and commission income	26	**14 787 127**	11 461 111	**—**	—
Insurance revenue	27	**4 971 208**	4 675 074	**—**	—
Insurance service expense	27	**(1 977 268)**	(1 889 108)	**—**	—
Insurance service result		**2 993 940**	2 785 966	**—**	—
Insurance finance income/(expense)	27	**183 612**	(101 435)	**—**	—
Net insurance result(4)	27	**3 177 552**	2 684 531	**—**	—
Foreign currency income		**514 554**	494 778	**—**	—
Foreign currency expense		**(354 041)**	(332 348)	**—**	—
Net foreign currency income	28	**160 513**	162 430	**—**	—
Dividend income	29	**—**	—	**5 781 886**	5 483 683
Other income		**245 492**	158 283	**6 113**	4 096
Net non-interest income		**19 578 852**	15 545 048	**5 787 999**	5 487 779
Income from operations after credit impairments		**27 317 505**	23 422 235	**5 788 578**	5 488 216
Operating expenses	31	**(13 940 885)**	(11 876 702)	**(6 692)**	(4 544)
Share of net profit of associates and joint ventures	12	**71 124**	97 750	**—**	—
Reversal of impairment on investment in associate	12	**—**	—	**65 682**	—
Operating profit before tax		**13 447 744**	11 643 283	**5 847 568**	5 483 672
Income tax expense	32	**(2 880 807)**	(2 491 811)	**(12 786)**	(9 195)
Profit for the year		**10 566 937**	9 151 472	**5 834 782**	5 474 477
Earnings per share (cents)					
Basic	33	**9 156**	7 933		
Diluted	33	**9 137**	7 911		

(1) The financial statements have been restated for the adoption of IFRS 17 Insurance Contracts. Refer to note 3 Restatement – adoption of IFRS 17 and related assessments.

(2) The group reviewed its presentation of the consolidated income statement and considers it more appropriate to disclose income and expenses as either interest and similar income/expenses or non-interest income/expenses on the face of the consolidated income statement. Comparatives have been updated to reflect this change in presentation.

(3) Credit impairments were previously presented after other income but following the change in presentation mentioned in (2), management considers it more appropriate to present credit impairments after net interest income. Comparatives have been updated to reflect this change in presentation.

(4) Insurance income and expenses have been separately disclosed following the adoption of IFRS 17 Insurance Contracts. Refer to note 3 Restatement – adoption of IFRS 17 and related assessments and note 27 Net insurance result.

Statements of other comprehensive income

Year ended 29 February 2024

R'000	Note	GROUP 2024	GROUP Restated[1] 2023	COMPANY 2024	COMPANY 2023
Profit for the year		**10 566 937**	9 151 472	**5 834 782**	5 474 477
Other comprehensive income that may subsequently be reclassified to profit or loss		**29 664**	60 121	**6 720**	—
Cash flow hedge reserve recognised	23	**10 986**	9 129	**9 206**	—
Cash flow hedge reclassified to profit or loss	23	**(3 178)**	10 215	**—**	—
Income tax relating to cash flow hedge	23	**(2 108)**	(5 395)	**(2 486)**	—
Foreign currency translation reserve recognised	23	**23 964**	46 172	**—**	—
Other comprehensive income that will not subsequently be reclassified to profit or loss		**7 710**	3 254	**—**	—
Remeasurement of defined benefit obligation	20	**(824)**	3 226	**—**	—
Profit on remeasurement to FVOCI	23	**8 535**	1 201	**—**	—
Income tax thereon	23	**(1)**	(1 173)	**—**	—
Total comprehensive income for the year		**10 604 311**	9 214 847	**5 841 502**	5 474 477

[1] *The financial statements have been restated for the adoption of IFRS 17* Insurance Contracts*. Refer to note 3 Restatement – adoption of IFRS 17 and related assessments.*

Statements of changes in equity

Year ended 29 February 2024

GROUP

R'000	Note	Ordinary share capital and premium	Preference share capital and premium	Foreign currency translation reserve	Cash flow hedge reserve	Other reserves	Share option reserve	Retained earnings	Total
Balance as at 28 February 2022		5 649 020	51 167	31 438	(12 405)	(28 625)	515 809	29 559 311	35 765 715
Restatements – transition to IFRS 17		—	—	—	—	—	—	(608 770)	(608 770)
Restated balance as at 28 February 2022[1]		5 649 020	51 167	31 438	(12 405)	(28 625)	515 809	28 950 541	35 156 945
Restated total comprehensive income for the year[1]		—	—	46 172	13 949	3 254	—	9 151 472	9 214 847
Transactions with shareholders and directly recorded in equity		(242 912)	(2 243)	—	—	—	—	(6 206 271)	(6 451 426)
Ordinary dividend	40.7	—	—	—	—	—	—	(6 187 142)	(6 187 142)
Preference dividend	40.7	—	—	—	—	—	—	(4 185)	(4 185)
Employee share option scheme: value of employee services	31	—	—	—	—	—	—	165 228	165 228
Shares acquired for employee share options at cost		(16 332)	—	—	—	—	—	(157 300)	(173 632)
Proceeds on settlement of employee share options		—	—	—	—	—	—	78 831	78 831
Tax effect on share options		—	—	—	—	—	—	(42 402)	(42 402)
Fair value of shares utilised for net settlement		—	—	—	—	—	—	(59 004)	(59 004)
Preference shares repurchased		—	(2 243)	—	—	—	—	(297)	(2 540)
Treasury shares	22	(226 580)	—	—	—	—	—	—	(226 580)
Restated balance as at 28 February 2023[1]		**5 406 108**	**48 924**	**77 610**	**1 544**	**(25 371)**	**515 809**	**31 895 742**	**37 920 366**
Total comprehensive income for the year		**—**	**—**	**23 964**	**5 700**	**7 710**	**—**	**10 566 937**	**10 604 311**
Transactions with shareholders and directly recorded in equity		**50 432**	**(5 664)**	**—**	**—**	**—**	**—**	**(5 038 852)**	**(4 994 084)**
Ordinary dividend	40.7	**—**	**—**	**—**	**—**	**—**	**—**	**(5 011 260)**	**(5 011 260)**
Preference dividend	40.7	**—**	**—**	**—**	**—**	**—**	**—**	**(4 763)**	**(4 763)**
Employee share option scheme: value of employee services	31	**—**	**—**	**—**	**—**	**—**	**—**	**60 102**	**60 102**
Shares acquired for employee share options at cost		**10 846**	**—**	**—**	**—**	**—**	**—**	**(84 857)**	**(74 011)**
Proceeds on settlement of employee share options		**—**	**—**	**—**	**—**	**—**	**—**	**105 908**	**105 908**
Tax effect on share options		**—**	**—**	**—**	**—**	**—**	**—**	**12 683**	**12 683**
Fair value of shares utilised for net settlement		**—**	**—**	**—**	**—**	**—**	**—**	**(115 969)**	**(115 969)**
Preference shares repurchased		**—**	**(5 664)**	**—**	**—**	**—**	**—**	**(696)**	**(6 360)**
Treasury shares	22	**39 586**	**—**	**—**	**—**	**—**	**—**	**—**	**39 586**
Balance as at 29 February 2024		**5 456 540**	**43 260**	**101 574**	**7 244**	**(17 661)**	**515 809**	**37 423 827**	**43 530 593**
Note		22	22	23	23	23	23		

[1] *The financial statements have been restated for the adoption of IFRS 17* Insurance Contracts *impacting only retained earnings. Refer to note 3 Restatement – adoption of IFRS 17 and related assessments.*

Statements of changes in equity continued

Year ended 29 February 2024

		COMPANY						
R'000	Note	Ordinary share capital and premium	Preference share capital and premium	Cash flow hedge reserve	Share option reserve	Izindaba Ezinhle Employee Share Scheme	Retained earnings	Total
Balance as at 28 February 2022		5 649 020	51 167	—	23 831	491 978	751 804	6 967 800
Total comprehensive income for the year		—	—	—	—	—	5 474 477	5 474 477
Transactions with shareholders and directly recorded in equity		—	(2 243)	—	—	—	(6 204 214)	(6 206 457)
Ordinary dividend	40.7	—	—	—	—	—	(6 199 732)	(6 199 732)
Preference dividend	40.7	—	—	—	—	—	(4 185)	(4 185)
Preference shares repurchased		—	(2 243)	—	—	—	(297)	(2 540)
Balance as at 28 February 2023		**5 649 020**	**48 924**	**—**	**23 831**	**491 978**	**22 067**	**6 235 820**
Total comprehensive income for the year		—	—	6 720	—	—	5 834 782	5 841 502
Transactions with shareholders and directly recorded in equity		—	(5 664)	—	—	—	(5 027 759)	(5 033 423)
Ordinary dividend	40.7	—	—	—	—	—	(5 022 300)	(5 022 300)
Preference dividend	40.7	—	—	—	—	—	(4 763)	(4 763)
Preference shares repurchased		—	(5 664)	—	—	—	(696)	(6 360)
Balance as at 29 February 2024		**5 649 020**	**43 260**	**6 720**	**23 831**	**491 978**	**829 090**	**7 043 899**
Note		22	22	23	23	43.2		

Statements of cash flows

Year ended 29 February 2024

		GROUP		COMPANY	
R'000	Note	2024	2023	2024	2023
Cash flows from operating activities					
Cash flow from operations	40.1	**1 350 269**	(6 679 900)	**(252 338)**	(2 643)
Income tax paid	40.4	**(2 712 640)**	(2 545 722)	**(12 786)**	(9 195)
Interest received	40.11	**24 950 193**	20 438 606	**579**	437
Interest paid	40.12	**(9 301 372)**	(6 958 102)	**—**	—
Dividend received		**—**	—	**5 781 886**	5 483 683
		14 286 450	4 254 882	**5 517 341**	5 472 282
Cash flows from investing activities					
Acquisition of property and equipment	13	**(1 038 114)**	(934 422)	**—**	—
Disposal of property and equipment	40.5	**29 817**	16 826	**—**	—
Acquisition of intangible assets	15	**(119 269)**	(228 841)	**—**	—
Disposal of preference shares in subsidiary	12	**—**	—	**5 664**	2 243
Investment in term deposit investments	7	**(7 864 000)**	(3 650 000)	**—**	—
Redemption of term deposit investments	7	**3 650 000**	900 000	**—**	—
Acquisition of financial investments at amortised cost	6	**(65 156 207)**	(47 216 977)	**—**	—
Redemption of financial investments at amortised cost	6	**58 959 433**	49 652 992	**—**	—
Interest acquired in associates and joint ventures	12	**(31 900)**	(61 800)	**—**	—
Acquisition of subsidiary net of cash acquired	12	**—**	—	**(200 000)**	—
		(11 570 240)	(1 522 222)	**(194 336)**	2 243
Cash flows from financing activities					
Dividends paid	40.7	**(5 023 115)**	(6 189 475)	**(5 029 468)**	(6 200 132)
Loans from group companies – granted	40.8	**—**	—	**26 164**	22 187
Loans from group companies – repaid	40.8	**—**	—	**(12 778)**	(11 462)
Preference shares repurchased	22	**(6 360)**	(2 540)	**(6 360)**	(2 540)
Issue of institutional bonds and other funding	17	**750 000**	750 000	**—**	—
Payment of lease liabilities	40.9	**(406 560)**	(370 303)	**—**	—
Shares acquired for settlement of employee share options	40.10	**(74 080)**	(111 234)	**—**	—
Participants' contribution on settlement of share options	40.10	**10 135**	34 146	**—**	—
Treasury shares repurchased	22	**(36 854)**	(120 593)	**—**	—
		(4 786 834)	(6 009 999)	**(5 022 442)**	(6 191 947)
Effect of exchange rate changes on cash and cash equivalents		**81 507**	52 198	**—**	—
Net (decrease)/increase in cash and cash equivalents		**(1 989 117)**	(3 225 141)	**300 563**	(717 422)
Cash and cash equivalents at the beginning of the year	4	**31 014 687**	34 239 828	**9 633**	727 055
Cash and cash equivalents at the end of the year	4	**29 025 570**	31 014 687	**310 196**	9 633

Notes to the financial statements

Year ended 29 February 2024

1. General information

1.1 Nature of the business

The company's main business is that of a bank controlling company as envisaged in the Banks Act. The company's subsidiaries conduct retail and business banking, rental financing, hold insurance cell captives and have an insurance licence for life products.

1.2 Review of operations

The operating results and the state of affairs of the company and the group are fully set out in the statements of financial position, income statements, statements of other comprehensive income, statements of changes in equity, statements of cash flows and the notes thereto.

The group's earnings attributable to ordinary and preference shareholders amounted to R10 566.9 million (2023 restated: R9 151.5 million).

1.3 Overall application of the going concern principle

The directors reviewed the group budget and cash flow forecasts for the next 3 years and considered the group's ability to continue as a going concern in light of current and anticipated economic conditions. These budgets and cash flow forecasts took the impact of the current global macroeconomic environment into consideration, including projections of the impact on the group's capital, funding and liquidity requirements, all of which have remained within internal targets and above regulatory requirements.

Forecast earnings growth and risk-weighted assets are based on the group's macroeconomic outlook and are evaluated against available financial resources, considering the requirements of capital providers, regulators and rating agencies.

The expected outcomes and constraints are then stress tested and the group sets targets through different business cycles and scenarios. On the basis of this review, and in light of the current financial position and profitable trading history, the directors are satisfied that the group has adequate resources to continue in business for the foreseeable future. The going concern basis therefore continues to apply and has been adopted in the preparation of the financial statements.

1.4 Directors and group company secretary

Information relating to the directors and group company secretary is presented in the directors' report and statutory information.

1.5 Group details

The group's place of domicile and country of incorporation is the Republic of South Africa and it has a primary listing on the JSE.

Registered office: 5 Neutron Road, Techno Park, Stellenbosch, 7600.

2. Accounting policies

The structure of the financial statements has been amended to include the material accounting policies that relate to each note to the financial statements in the applicable note with the exception of the policies that are included in sections 2.1 to 2.5 below. These policies were applied consistently to all the years presented, unless otherwise stated.

2.1 Basis of preparation

2.1.1 Compliance with IFRS Accounting Standards

The group's consolidated and company's separate financial statements were prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB) (IFRS Accounting Standards) and IFRIC Interpretations as issued by the Committee, and comply with the Financial Pronouncements as issued by the Financial Reporting Standards Council and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Banks Act, the JSE Listings Requirements and the requirements of the Companies Act of South Africa.

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

The accounting policies applied are consistent with the prior year financial statements with the exception of the addition of policies to account for insurance contracts in accordance with IFRS 17 *Insurance Contracts*. Refer to note 10.

Refer to note 2.6 for standards, interpretations and amendments to published standards applied for the first time during the current year and to note 2.7 for detail on the group's implementation of standards, interpretations and amendments to published standards not yet effective.

In the notes to the financial statements, amounts denoted as current are expected to be recovered/settled no more than 12 months after the reporting period. Amounts denoted as non-current are expected to be recovered/settled more than 12 months after the reporting period.

2.1.2 Historical cost convention

The consolidated and separate financial statements have been prepared on a historical cost basis, except for the revaluation of financial instruments held at FVTPL and instruments carried at FVOCI.

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company, its subsidiaries, associates, joint ventures and the share incentive trust.

2.2.1 Subsidiaries

Subsidiaries are entities (including structured entities) that are controlled by the company. Control is achieved when the company:

- has power over the entity
- is exposed, or has rights, to variable returns from its involvement with the entity
- has the ability to use its power to affect returns.

Consolidation begins when the company obtains control over the subsidiary and ceases when the company loses control of the subsidiary.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated.

The company accounts for investments in subsidiaries at cost less allowance for impairment. The carrying amounts of these investments are reviewed annually and written down for impairment where considered necessary.

Currently, the group does not have non-controlling interests as all subsidiaries are wholly-owned by the company.

2.2.2 Associates and joint arrangements

An associate is an entity over which the group has significant influence and that is neither a subsidiary nor an interest in a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the entity but is not control or joint control over those policies. Significant influence is generally accompanied by a shareholding that entitles the group to between 20% and 50% of the voting rights of the associate. Where the group's shareholding is less than 20%, other indicators, such as the right to representation on decision-making boards or committees, are considered.

2. Accounting policies continued

2.2 Basis of consolidation continued

2.2.2 Associates and joint arrangements continued

The group's investment in associates includes the difference in initial cost versus its share of net assets acquired and any accumulated impairment loss.

A joint arrangement is an arrangement in terms of which the group and the other contracting parties have joint control as defined in IFRS 11 *Joint Arrangements*. Joint ventures are those joint arrangements where the group has rights to the net assets of the arrangement.

An investment in an associate or joint venture is recognised at cost by the company and is incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, an investment is initially recognised at cost and the carrying amount is subsequently adjusted to recognise the group's share of post-acquisition profits or losses and other comprehensive income. Distributions received from the associate or joint venture reduce the carrying amount of the investment.

In applying the equity method, the group uses the financial statements of the associate as of the same date as the financial statements of the group unless it is impracticable to do so. If this is impracticable, the most recent available financial statements of the associate are used. Adjustments are made for significant transactions and events that occur between these periods. The difference between the reporting date of the associate and the group should be no longer than 3 months.

When the group's share of losses of an associate or joint venture equals or exceeds its interest, including any other unsecured long-term receivables in the associate or joint venture, the group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the group incurs legal or constructive obligations or makes payments on behalf of the associate or joint venture.

Unrealised gains on transactions between the group and its associates and joint ventures are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment.

The group determines at each reporting date whether there is objective evidence that any investment in the associates or joint ventures is impaired. If this is the case, the difference between the recoverable amount of the associate or joint venture and its carrying value is recognised in the income statement. Impairments that have been recognised are reversed if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised. The increased carrying amount of the associate or joint venture shall not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years.

When significant influence ceases or the investments are held with the intention that they will be disposed of within 12 months, the investments are accounted for and classified as non-current assets held for sale in terms of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

2.3 Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination comprises the fair values of the assets transferred, the liabilities assumed, the equity interests issued by the group and the fair value of any contingent consideration arrangements. If the contingent consideration is classified as equity, it is not subsequently remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in the income statement.

Acquisition costs, other than those associated with the issue of debt or equity securities, are recognised in profit or loss as incurred.

The identifiable assets acquired and the liabilities and contingent liabilities assumed that meet the conditions for recognition in accordance with IFRS 3 *Business Combinations* are recognised at their fair value at the date of acquisition, except for:

- deferred tax assets or liabilities, which are recognised and measured in accordance with IAS 12 *Income Taxes* and liabilities or assets related to employee benefit arrangements, which are recognised and measured in accordance with IAS 19 *Employee Benefits*
- liabilities or equity instruments that relate to the replacement, by the group, of an acquired entity's share-based payment awards, which are measured in accordance with IFRS 2 *Share-based Payment*
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, which are measured in accordance with that standard.

2.3.1 Goodwill

Goodwill in a business combination is recognised at the acquisition date when the consideration transferred and the recognised amount of non-controlling interests exceed the fair value of the identifiable net assets of the entity acquired. If the consideration transferred is lower than the fair value of the identifiable net assets of the acquired entity (a bargain purchase), the difference is recognised in the income statement. The gain or loss arising on the disposal of an entity is calculated after consideration of attributable goodwill.

2.3.2 Business combinations under common control

Transactions in which the assets and liabilities are transferred from a subsidiary to its parent are referred to as a hive-up. Such transactions are generally scoped out of IFRS 3 *Business Combinations*. Capitec developed its own accounting policy in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The substance of the hive-up is a common control transaction because the group is in the same position before and after the transaction and, on that basis, predecessor accounting is applied.

The prospective presentation method is applied and, as such, the acquired entity's results and statement of financial position are incorporated prospectively from the date on which the business combination between entities under common control occurred.

The assets and liabilities of the acquired entity are stated at predecessor carrying values in the acquirer's financial statements. As Capitec elects to carry the assets and liabilities at predecessor values, there is no need to do fair value measurements. Predecessor carrying values are the carrying values related to the acquired entity. They are selected as the carrying amounts of assets and liabilities of the acquired entity from the consolidated annual financial statements.

These amounts include any goodwill (as recognised in the consolidated annual financial statements at the date of transfer), and other fair value adjustments, recorded at the consolidated level in respect of the acquired entity.

No new goodwill arises in predecessor accounting.

Any increase/decrease in the net assets in the consolidated annual financial statements of the acquired entity (i.e. the difference between the carrying amount of net assets of the acquired entity in the consolidated annual financial statements at the date of transfer and the fair value of net assets acquired at the date of original external acquisition) would be recorded in equity in retained earnings.

The investment in the acquired entity is derecognised.

2.4 Financial instruments

2.4.1 Financial assets

The group recognises financial assets in the statement of financial position when it becomes a party to the contractual terms of the financial instrument.

At initial recognition, the group measures a financial asset at its fair value plus, in the case of financial assets not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs on financial assets carried at FVTPL are recognised immediately in profit or loss.

2. Accounting policies continued
2.4 Financial instruments continued
2.4.1 Financial assets continued

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or where the group has transferred substantially all risks and rewards of ownership of the asset to another entity.

The group classifies its financial assets on the basis of its business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

The group assesses its business model by portfolio of financial assets that are managed together and evaluates the following factors:
- How the performance of the portfolio is evaluated and reported to group management
- How the portfolio managers (if applicable) are compensated, including whether management is compensated based on the fair value of the assets or the contractual cash flow collected
- The risks that affect the performance of the business model and how those risks are managed
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and expectation of future sale activities.

The contractual cash flow characteristics are evaluated based on whether the contractual cash flows consist of solely payments of principal and interest (SPPI). This assessment includes assessing whether the financial asset has a contractual term that would change the timing or amount of contractual cash flows. The group considers whether the contractual cash flows are subject to any contingent events that would change the amount and timing of cash flows, leverage features, prepayment and extension terms and features that would modify the consideration of the time value of money.

The group classifies its financial assets into the following categories:
- Measured at amortised cost
- Fair value through other comprehensive income
- Fair value through profit or loss.

Subsequent to initial measurement, financial assets are classified into categories and measured at either amortised cost or fair value.

2.4.2 Financial liabilities

The group recognises a financial liability once it becomes a party to the contractual terms of the financial instrument. Financial liabilities, other than those held at FVTPL, are recognised initially at fair value, generally being their issue proceeds net of transaction costs incurred and subsequently stated at amortised cost using the effective interest rate method.

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

2.5 Foreign currency translation
2.5.1 Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in South African rand, which is the group's presentation currency. The financial statements of all the subsidiaries are also presented in South African rand, which is their functional and presentation currency. The investment in associate is translated to South African rand at the exchange rate prevailing at the reporting date. The equity accounted earnings are translated to South African rand at the average exchange rate for the period. Gains or losses on translation are recognised in other comprehensive income and presented within equity in the foreign currency translation reserve.

2.5.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the date of the transaction. Foreign currency balances are translated into rand at the exchange rate prevailing at the reporting date. Exchange gains and losses on such balances are taken to profit or loss.

Exchange gains and losses on translation of a foreign operation are taken to other comprehensive income.

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

Title	Effective date	Impact
IFRS 17 *Insurance Contracts*	Annual periods beginning on or after 1 January 2023 (published May 2017 with amendments in June 2020 and December 2021)	This standard replaced IFRS 4 *Insurance Contracts*. Refer to notes 3 and 10 to the financial statements for details of the group's application of IFRS 17.
Disclosure of accounting policies – amendments to IAS 1 and IFRS Practice Statement 2	Annual periods beginning on or after 1 January 2023 (published February 2021)	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 these amendments to IFRS Accounting Standards.
Definition of accounting estimates – amendment to IAS 8	Annual periods beginning on or after 1 January 2023 (published February 2021)	The amendment 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 Accounting Standards.
International tax reform – pillar 2 model rules – amendments to IAS 12	Annual periods beginning on or after 1 January 2023 with the exception of the disclosure of the deferred tax exemption and the fact that the exception has been applied which is effective immediately (published May 2023)	These amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's international tax reform. The amendments also introduce targeted disclosure requirements for the affected companies. These amendments do not impact the group.
Deferred tax related to assets and liabilities arising from a single transaction – amendments to IAS 12	Annual periods beginning on or after 1 January 2023 (published May 2021)	The amendments 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 these amendments to IFRS Accounting Standards.

Notes to the financial statements continued

Year ended 29 February 2024

2. Accounting policies continued

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

Certain new standards, interpretations and amendments to existing standards have been published that are mandatory for the group's accounting periods beginning on or after 1 March 2024, or later periods, but which the group has not early adopted.

Title	Effective date	Impact
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* – sale or contribution of assets between an investor and its associates or joint ventures	The effective date for these amendments was deferred indefinitely	The IASB has made limited scope amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures.* The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 *Business Combinations*). Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments apply prospectively. The impact on the group would be minimal.
Leases on sale and leaseback – amendments to IFRS 16	Annual periods beginning on or after 1 January 2024 (published September 2022)	These amendments include the IFRS 16 requirements for accounting for a sale and leaseback transaction after the date of the transaction. Sale and leaseback transactions where some or all of the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted. The impact on the group will not be material.
Non-current liabilities with covenants – amendments to IAS 1	Annual periods beginning on or after 1 January 2024 (published January 2020 and November 2022)	The amendments clarify how the classification of a liability is affected by conditions that the entity must comply with within 12 months after the reporting period. The impact on the group will not be material.
Supplier finance – amendments to IAS 7 and IFRS 7	Annual periods beginning on or after 1 January 2024 with transitional relief in the first year (published May 2023)	The amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. This will not impact the group.
Lack of exchangeability – amendments to IAS 21	Annual periods beginning on or after 1 January 2025 (early adoption is available) (published August 2023)	The amendments impact entities that have transactions or operations in a foreign currency that are not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations. The group is not operating nor conducting business in jurisdictions that currently have lack of exchangeability. Accordingly, it has been assessed that these amendments do not have an impact on the group.

Title	Effective date	Impact
Presentation and disclosure in financial statements – IFRS 18	Annual periods beginning on or after 1 January 2027 (published April 2024)	IFRS 18 replaces IAS 1 and focuses on updates to the statement of profit or loss with a focus on the structure of the statement of profit or loss; required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements; and enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes. Many of the other existing principles in IAS 1 are retained. IFRS 18 will not impact the recognition or measurement of items in the financial statements, but it might change what an entity reports as its 'operating profit or loss'. Retrospective application is required. The group is yet to assess the impact of IFRS 18.

3. Restatement – adoption of IFRS 17 and related assessments

The IASB issued IFRS 17 *Insurance Contracts* (IFRS 17) to replace IFRS 4 *Insurance Contracts* (IFRS 4) for annual periods beginning on or after 1 January 2023. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts.

The group has applied IFRS 17 for the annual reporting period beginning on 1 March 2023. Any adjustments to the carrying amounts of assets or liabilities were recognised as an adjustment to retained earnings on 1 March 2022, and the 2023 comparatives were restated.

The group offers funeral and credit life insurance to clients through contractual cell captive arrangements with registered insurance companies (cell captive insurers). These arrangements transfer significant insurance risk to the group due to the group's contractual obligation to maintain the capital requirements of the cells. The cell captive arrangements create an in-substance insurance contract between the group and the cell insurers, with the group acting as a reinsurer to the cell captive arrangements.

Previously, it was concluded that only Capitec's credit life business passed significant insurance risk to the group. Capitec's funeral cell held with Centriq Life Insurance Company Limited was accounted for in the scope of IFRS 9 and included in other receivables on the basis that the group did not have significant insurance risk. With the application of IFRS 17, the group reassessed the cell captive agreements with Guardrisk Life Limited and Centriq Life Insurance Company Limited to determine whether significant insurance risk had passed to the group. On conclusion of this assessment, the group determined that both cell captive agreements passed significant insurance risk to the group under IFRS 17.

Accordingly, the accounting for the funeral business, which carried significant insurance risk historically based on the current year assessment performed, should have always been in terms of IFRS 4 instead of IFRS 9. This was corrected as part of the transition to IFRS 17. Accounting for the funeral business under IFRS 9 as opposed to IFRS 4 had no impact, other than for the changes in presentation on Capitec's consolidated statement of financial position and consolidated income statement between other receivables and net insurance receivables and funeral plan income and net insurance income, respectively.

The amended accounting for the funeral business resulted in funeral plan income now being accounted for in accordance with IFRS 17.

The restatement to other income relates to commission earned by Capitec on the sale of funeral policies which remains in the scope of IFRS 15. This income was previously disclosed as part of funeral plan income. The restatements to net insurance receivable/net insurance income and other receivables/funeral plan income relate to the credit life and funeral business, respectively.

From 7 May 2023, the group has offered credit life insurance to clients through its subsidiary, Capitec Life Limited. IFRS 17 has been applied to these contracts from initial recognition. The same accounting policies have been adopted for credit life contracts issued through the cell captive and Capitec Life Limited.

Notes to the financial statements continued

Year ended 29 February 2024

3. Restatement – adoption of IFRS 17 and related assessments continued

Restatement of statements of financial position

R'000	GROUP Year ended February 2023 as previously reported	Restatement	Year ended February 2023 restated	Year ended February 2022 as previously reported	Restatement	Year commencing 1 March 2022 restated
Assets						
Cash and cash equivalents	31 013 939	–	31 013 939	34 238 828	–	34 238 828
Financial assets at FVTPL	289 051	–	289 051	–	–	–
Financial investments at amortised cost	61 034 237	–	61 034 237	62 939 724	–	62 939 724
Term deposit investments	3 628 162	–	3 628 162	722 190	–	722 190
Net loans and advances	78 167 803	–	78 167 803	66 549 103	–	66 549 103
Other receivables	6 429 195	(1 625 931)	4 803 264	3 284 984	(477 823)	2 807 161
Insurance contract assets	–	1 970 734	1 970 734	–	745 311	745 311
Net insurance receivable	1 509 371	(1 509 371)	–	677 935	(677 935)	–
Derivative assets	33 555	–	33 555	14 586	–	14 586
Financial assets – equity instruments at FVOCI	73 880	–	73 880	72 680	–	72 680
Current income tax asset	40 701	–	40 701	–	–	–
Interest in associates and joint ventures	600 068	–	600 068	394 346	–	394 346
Property and equipment	3 291 918	–	3 291 918	3 021 555	–	3 021 555
Right-of-use assets	1 821 415	–	1 821 415	1 909 435	–	1 909 435
Intangible assets including goodwill	1 435 629	–	1 435 629	1 348 005	–	1 348 005
Deferred income tax asset	2 431 699	–	2 431 699	2 769 410	–	2 769 410
Total assets	191 800 623	(1 164 568)	190 636 055	177 942 781	(410 447)	177 532 334
Liabilities						
Derivative liabilities	23 683	–	23 683	33 848	–	33 848
Current income tax liability	–	–	–	301 951	–	301 951
Deposits	144 059 409	–	144 059 409	132 398 377	–	132 398 377
Wholesale funding	2 438 794	–	2 438 794	2 060 193	–	2 060 193
Other liabilities	3 874 119	–	3 874 119	4 745 859	–	4 745 859
Insurance contract liabilities	–	–	–	–	198 323	198 323
Lease liabilities	2 305 062	–	2 305 062	2 424 694	–	2 424 694
Employee benefit liabilities	14 622	–	14 622	212 144	–	212 144
Total liabilities	152 715 689	–	152 715 689	142 177 066	198 323	142 375 389
Equity						
Capital and reserves						
Ordinary share capital and premium	5 406 108	–	5 406 108	5 649 020	–	5 649 020
Cash flow hedge reserve	1 544	–	1 544	(12 405)	–	(12 405)
Other reserves	(25 371)	–	(25 371)	(28 625)	–	(28 625)
Foreign currency translation reserve	77 610	–	77 610	31 438	–	31 438
Share option reserve	515 809	–	515 809	515 809	–	515 809
Retained earnings	33 060 310	(1 164 568)	31 895 742	29 559 311	(608 770)	28 950 541
Share capital and reserves attributable to ordinary shareholders	39 036 010	(1 164 568)	37 871 442	35 714 548	(608 770)	35 105 778
Preference share capital and premium	48 924	–	48 924	51 167	–	51 167
Total equity	39 084 934	(1 164 568)	37 920 366	35 765 715	(608 770)	35 156 945
Total equity and liabilities	191 800 623	(1 164 568)	190 636 055	177 942 781	(410 447)	177 532 334

Restatement of income statements

R'000	GROUP Year ended February 2023 as previously reported	Restatement	Year ended February 2023 restated
Interest and similar income			
Interest income	21 199 263	–	21 199 263
Interest income calculated using the effective interest rate	20 783 348	–	20 783 348
Interest income on financial assets at FVTPL	415 915	–	415 915
Interest expense	(6 992 691)	–	(6 992 691)
Net interest income	14 206 572	–	14 206 572
Credit impairments	(6 329 385)	–	(6 329 385)
Net interest income after impairment of advances	7 877 187	–	7 877 187
Non-interest income			
Loan fee income	1 087 787	–	1 087 787
Loan fee expense	(9 094)	–	(9 094)
Net loan fee income	1 078 693	–	1 078 693
Transaction fee and commission income	16 561 749	–	16 561 749
Transaction fee and commission expense	(5 100 638)	–	(5 100 638)
Net transaction and commission income	11 461 111	–	11 461 111
Insurance revenue	–	4 675 074	4 675 074
Insurance service expense	–	(1 889 108)	(1 889 108)
Insurance service result	–	2 785 966	2 785 966
Insurance finance expense	–	(101 435)	(101 435)
Net insurance result	–	2 684 531	2 684 531
Foreign currency income	494 778	–	494 778
Foreign currency expense	(332 348)	–	(332 348)
Net foreign currency income	162 430	–	162 430
Net insurance income	1 888 500	(1 888 500)	–
Funeral plan income	1 430 912	(1 430 912)	–
Other income	79 200	79 083	158 283
Net non-interest income	16 100 846	(555 798)	15 545 048
Income from operations after impairment advances	23 978 033	(555 798)	23 422 235
Operating expenses	(11 876 702)	–	(11 876 702)
Share of net profit of associates and joint ventures	97 750	–	97 750
Operating profit before tax	12 199 081	(555 798)	11 643 283
Income tax expense	(2 491 811)	–	(2 491 811)
Profit for the year	9 707 270	(555 798)	9 151 472

Restatements to the statement of cash flows for 2023 are detailed in notes 40.1 to 40.3.

Notes to the financial statements continued

Year ended 29 February 2024

4. Cash and cash equivalents

R'000	GROUP 2024	GROUP 2023	COMPANY 2024	COMPANY 2023
Coins and banknotes	**3 830 473**	3 345 159	**—**	—
Rand-denominated bank balances	**125 942**	13 146 612	**310 196**	9 633
Foreign currency-denominated bank balances	**1 501 063**	1 472 530	**—**	—
Resale agreements: Banks[1]	**20 014 434**	9 853 732	**—**	—
Mandatory reserve deposits with the central bank	**3 553 658**	3 196 654	**—**	—
Cash and cash equivalents	**29 025 570**	31 014 687	**310 196**	9 633
Non-cash adjustment: Provision for ECL	**(4 347)**	(748)	**—**	—
Total cash and cash equivalents	**29 021 223**	31 013 939	**310 196**	9 633
Maximum exposure to credit risk[2]	**25 195 097**	27 669 528	**310 196**	9 633
Current portion	**29 021 223**	31 013 939	**310 196**	9 633

[1] Resale agreements are classified as cash and cash equivalents as they are actively used to manage the liquidity and operating commitments of the group. These agreements are readily convertible to known amounts of cash given their short-dated maturities and are not subject to significant changes in value as these are held with other reputable financial institutions.

[2] Maximum exposure to credit risk has been amended to exclude coins and banknotes as they are not subject to credit risk. Comparatives have been corrected for this change.

Accounting policies

Cash and cash equivalents comprise balances with less than 3 months' maturity from the date of acquisition. Cash and cash equivalents are stated at amortised cost which approximates fair value due to the short-term nature of these instruments.

They can include coins and banknotes, amounts due from local and foreign banks, resale agreements, fixed and notice deposits with original maturities of less than 3 months, balances with central banks, treasury bills, debentures and other eligible bills, and government securities that are highly liquid investments, readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Financial instruments purchased from external banks for cash under short-term agreements to resell, at either a fixed price or the purchase price plus a lender's rate of return, with an original maturity date of less than 3 months, including government bonds, are included under cash and cash equivalents when they are subject to insignificant changes in value. The difference between the purchase and sales price is treated as interest and amortised over the life of the resale agreement using the effective interest rate method.

Impairment recognition and measurement

Cash and cash equivalents comprise stage 1 balances with no movement between the stages during the current and prior financial years. The balances are subject to the impairment requirements of IFRS 9, therefore the group recognised a loss allowance measured as a 12-month ECL because the credit risk has not increased significantly since initial recognition and no balances are credit-impaired at the statement of financial position date. The ECL statistical model components (EAD, LGD and PD) were determined using an appropriate model. The PD was determined with reference to the favourable credit ratings of the banking institutions and the LGD was determined based on whether the financial instruments are secured by recognised collateral. The resale agreements with banks are secured by recognised collateral. The group did not apply the low credit risk exception in determining whether credit risk has increased significantly since initial recognition. The SICR thresholds applied are the same as those applied within the Business bank portfolio to ensure consistency in the way that a SICR is identified for a particular counterparty and for similar exposures.

Mandatory reserve deposits with the central bank – the South African Reserve Bank (SARB)

Banks are required to deposit a minimum average balance, calculated monthly, with the central bank, which is available for use by the group subject to certain restrictions and limitations imposed by the central bank. These deposits bear no interest and may be used to manage significant intraday and inter-day cash outflows but are not considered as available for normal cash planning purposes. A total of 70% of the balance is available without requiring prior regulatory approval. The restrictions and limitations imposed by the central bank do not preclude the group from requesting access to the remaining 30% of the mandatory reserve deposit. Although the availability of the remaining 30% is subject to regulatory approval should the group request it the funds would be available on demand.

Credit risk

The group only invests centrally managed cash surpluses and liquidity buffers in cash and liquid assets with the SARB, National Treasury and South African registered banking entities of high credit standing. Potential exposure to concentration credit risk exists principally in cash and cash equivalents and interest-bearing instruments. Concentrations are controlled using ALCO recommended limits which are monitored and enforced by the Retail bank credit committee (RCC) and the Business bank credit committee (BCC), and monitored and approved by the risk and capital management committee (RCMC). This ensures that the financial assets that the group may place with any one counterparty are limited by reference to the long-term and short-term credit ratings assigned for that counterparty by Moody's Ratings (Moody's).

Credit quality of cash and cash equivalents

At the statement of financial position date, the international long-term credit ratings, using Moody's ratings, were as follows:

R'000	GROUP Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to Ba3	ECL	Total carrying amount[2]
2024						
Bank balances – local and foreign[1]	**1 151 596**	**359 172**	**960**	**115 277**	**(4 044)**	**1 622 961**
Resale agreements	**—**	**—**	**—**	**20 014 434**	**(303)**	**20 014 131**
Central bank balances	**—**	**—**	**—**	**3 553 658**	**—**	**3 553 658**
	1 151 596	**359 172**	**960**	**23 683 369**	**(4 347)**	**25 190 750**
2023						
Bank balances – local and foreign[1]	1 130 229	2 094 057	803	11 394 053	(84)	14 619 058
Resale agreements	—	—	—	9 853 732	(664)	9 853 068
Central bank balances	—	—	—	3 196 654	—	3 196 654
	1 130 229	2 094 057	803	24 444 439	(748)	27 668 780

[1] A national credit rating was used to rate the PSG call accounts included in bank balances.

[2] The credit quality of cash and cash equivalents has been amended to exclude coins and banknotes as they are not subject to credit risk. The comparatives have been amended to reflect this change.

Bank balances and resale agreements are with 15 reputable banking institutions (2023: 27) of high credit standing. The maximum exposure to a single institution is R13.6 billion (2023: R16.4 billion). Balances are rand and foreign currency-denominated.

The credit ratings determine the ECL.

Notes to the financial statements continued

Year ended 29 February 2024

5. Financial assets at FVTPL

R'000	GROUP 2024	2023
Balance at the beginning of the year	289 051	—
Additions – capital[1]	250 401 063	260 000
Accrued interest	687 527	415 915
Maturities – interest received	(670 261)	(366 864)
Disposal – capital[1]	(250 153 400)	(20 000)
Total financial assets at FVTPL[2]	553 980	289 051
Maximum exposure to credit risk	553 980	289 051
Current portion	553 980	289 051

[1] *Additions and disposals have been separately disclosed in the current year given the materiality of the balances. Comparatives have been amended for this change in presentation.*

[2] *Financial assets at FVTPL comprise investments in money market funds held by Capitec Bank Limited and treasury bills and term deposit investments held by Capitec Life Limited. Both entities are wholly-owned subsidiaries of the group.*

Accounting policies

Financial assets at FVTPL consist of interest-bearing investments in money market funds, treasury bills and term deposits which are classified and measured at FVTPL. The investments are initially recognised at fair value excluding transaction costs that are directly attributable to the acquisition of the investment and are subsequently remeasured at fair value.

The interest income received on the investments is accounted for in the income statement line item 'Interest income on financial assets at FVTPL'.

Cash flows generated from the investments are classified as operating cash flows as these cash flows are used to fund the entity's short-term operating commitments.

Measurement

The fair value of financial assets that are not listed or quoted in an active market is determined using valuation techniques. The money market funds with underlying debt securities are valued using discounted cash flow (DCF) external valuations and published price quotations on the JSE Equity and Interest Rate Markets, or external valuations that are based on published market inputs with the main assumption being market input, uplifted with inflation. The money market funds are classified as level 2 on the fair value hierarchy as the markets that they are quoted on are not considered to be active. The fair value of term deposit investments is determined by discounting future cash flows using market-related interest rates adjusted for credit inputs over the contractual period. Term deposit investments are classified as level 2 in the fair value hierarchy. The fair value of treasury bills is determined with reference to an active market and they are classified as level 1 in the fair value hierarchy.

Credit quality of financial assets at FVTPL

At the statement of financial position date, the international long-term credit ratings, using Moody's ratings, were as follows:

R'000	GROUP Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to Ba3	Not rated	Total carrying amount
2024						
Financial assets at FVTPL[1]	—	61 357	—	217 113	275 510	553 980
2023						
Financial assets at FVTPL[1]	—	—	—	—	289 051	289 051

[1] *Not rated financial assets at FVTPL comprise investments in money market funds held by Capitec Bank Limited, and rated financial assets comprise treasury bills and term deposit investments held by Capitec Life Limited. Both entities are wholly-owned subsidiaries of the group.*

6. Financial investments at amortised cost

R'000	GROUP Treasury bills	Government bonds	Total
2024			
Balance at the beginning of the year	48 364 819	12 669 418	61 034 237
Additions	65 156 207	—	65 156 207
Interest accrued	4 794 292	1 201 148	5 995 440
Movement in ECL	10 598	11 627	22 225
Maturities – capital	(58 959 433)	—	(58 959 433)
Maturities – interest received	(4 104 097)	(1 034 028)	(5 138 125)
Total financial investments at amortised cost[1]	55 262 386	12 848 165	68 110 551
Maximum exposure to credit risk	55 315 586	12 876 523	68 192 109
Current portion	55 262 386	—	55 262 386
Non-current portion	—	12 848 165	12 848 165
2023			
Balance at the beginning of the year	50 930 253	12 009 471	62 939 724
Additions	46 656 453	560 524	47 216 977
Interest accrued	2 928 358	1 110 339	4 038 697
Movement in ECL	6 975	(2 036)	4 939
Maturities – capital	(49 652 992)	—	(49 652 992)
Maturities – interest received	(2 504 228)	(1 008 880)	(3 513 108)
Total financial investments at amortised cost	48 364 819	12 669 418	61 034 237
Maximum exposure to credit risk	48 428 617	12 709 403	61 138 020
Current portion	48 364 819	—	48 364 819
Non-current portion	—	12 669 418	12 669 418

[1] *Financial investments have been disaggregated to reflect the nature of the investments. The comparative figures have been updated to reflect the disaggregated presentation.*

Accounting policies

These financial investments consist of treasury bills and government bonds with a maturity greater than 3 months from the date of acquisition and carry a lower credit risk.

They are held for the collection of their contractual cash flows which represent SPPI. Interest income from these financial assets is included in interest income calculated using the effective interest rate on the face of the consolidated income statement. Impairment losses are presented as part of the credit impairment charge in profit or loss.

For cash flow purposes, these investments are classified as investing activities as they are held to maturity and minimal amounts are held to meet the liquid asset requirement.

Notes to the financial statements continued
Year ended 29 February 2024

6. Financial investments at amortised cost continued

Impairment recognition and measurement

Financial investments at amortised cost comprise stage 1 balances with no movement between the stages during the current and prior financial years. The balances are subject to the impairment requirements of IFRS 9, therefore the group recognised a loss allowance of R81.6 million (2023: R103.8 million) measured as a 12-month ECL because a SICR has not taken place since initial recognition and no balances are credit-impaired at the statement of financial position date.

In assessing whether the credit risk of investments in government interest-bearing debt instruments has increased significantly since initial recognition, the group considers the following factors:

- The market's assessment of creditworthiness as reflected in the bond yields
- The rating agencies' assessment of creditworthiness
- The country's ability to access the capital markets for a new debt issuance
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to the country as well as the intention, communicated in public statements, of governments and agencies to access those mechanisms, including an assessment of the depth of mechanisms and the capacity to fulfil the required criteria.

The ECL statistical model components (EAD, LGD and PD) were determined using an appropriate model. The PD was determined with reference to the favourable credit rating of the issuer and the LGD was determined based on the fact that the financial instruments are not secured by recognised collateral. The group did not apply the low credit risk exception in determining whether credit risk has increased significantly since initial recognition.

Credit quality of financial investments at amortised cost

At the statement of financial position date, the international long-term credit ratings, using Moody's ratings, were as follows:

	GROUP						
R'000	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to Ba3	Not rated	ECL	Total carrying amount
2024							
Government bonds	**—**	**—**	**—**	**12 876 523**	**—**	**(28 358)**	**12 848 165**
Treasury bills	**—**	**—**	**—**	**55 315 586**	**—**	**(53 200)**	**55 262 386**
	—	**—**	**—**	**68 192 109**	**—**	**(81 558)**	**68 110 551**
2023							
Government bonds	—	—	—	12 709 404	—	(39 986)	12 669 418
Treasury bills	—	—	—	48 428 616	—	(63 797)	48 364 819
	—	—	—	61 138 020	—	(103 783)	61 034 237

7. Term deposit investments

	GROUP	
R'000	2024	2023
Balance at the beginning of the year	**3 628 162**	722 190
Additions	**7 864 000**	3 650 000
Interest accrued	**176 987**	191 998
Movement in ECL	**(3 834)**	(902)
Maturities – capital	**(3 650 000)**	(900 000)
Maturities – interest received	**(223 848)**	(35 124)
Total term deposit investments	**7 791 467**	3 628 162
Maximum exposure to credit risk	**7 796 246**	3 629 108
Current portion	**7 791 467**	3 628 162

Accounting policies

Term deposit investments comprise certain notice deposits and fixed-term non-derivative financial assets with fixed or determinable payments. They arise when the group invests cash with other banking institutions. They are fixed deposits with original maturity dates of more than 3 months but less than 1 year, deposit investments and deposits that have effective contractual notice periods greater than 3 months.

Cash flows derived from term deposits are classified as investing activities on the statement of cash flows.

Impairment recognition and measurement

Term deposit investments comprise stage 1 balances with no movement between the stages during the current and prior financial years. The balances are subject to the impairment requirements of IFRS 9, therefore the group recognised a loss allowance of R4.8 million (2023: less than R1 million) measured as a 12-month ECL because the credit risk has not increased significantly since initial recognition and no balances are credit-impaired at the statement of financial position date.

The ECL statistical model components (EAD, LGD and PD) were determined using an appropriate model. The PD was determined with reference to the favourable credit rating of the issuers and the LGD is determined based on the fact that the financial instruments are not secured by recognised collateral. The group did not apply the low credit risk exception in determining whether credit risk has increased significantly since initial recognition. The SICR thresholds applied are the same as those applied within the Business bank portfolio to ensure consistency in the way that a SICR is identified for a particular counterparty and for similar exposures.

Credit quality of term deposit investments

At the statement of financial position date, the international long-term credit ratings, using Moody's ratings, were as follows:

	GROUP						
R'000	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to Ba3	Not rated	ECL	Total carrying amount
2024							
Term deposit investments	**—**	**3 860 514**	**—**	**3 935 732**	**—**	**(4 779)**	**7 791 467**
2023							
Term deposit investments	—	1 785 184	—	1 843 924	—	(946)	3 628 162

Notes to the financial statements continued

Year ended 29 February 2024

8. Net loans and advances

R'000	GROUP 2024	2023
Loans and advances to clients		
Gross loans and advances	**102 990 453**	97 814 471
Retail bank(1)	**83 846 410**	82 296 744
Term loans	**48 400 551**	50 107 832
Access facility	**25 816 027**	24 458 375
Credit card	**9 629 832**	7 730 537
Business bank	**19 144 043**	15 517 727
Business loans	**9 530 125**	7 462 885
Mortgage loans	**9 613 918**	8 054 842
Provision for credit impairments (ECL)	**(22 438 756)**	(19 646 668)
Retail bank(1)	**(21 358 427)**	(18 805 698)
Term loans	**(12 891 719)**	(12 230 352)
Access facility	**(6 857 065)**	(5 146 528)
Credit card	**(1 609 643)**	(1 428 818)
Business bank	**(1 080 329)**	(840 970)
Business loans	**(793 353)**	(633 413)
Mortgage loans	**(286 976)**	(207 557)
Net loans and advances	**80 551 697**	78 167 803
Maturity analysis		
Current portion	**26 744 084**	25 763 453
Gross loans and advances	**30 955 615**	29 453 739
Demand to 1 month	**6 644 039**	5 455 335
1 to 3 months	**5 196 194**	4 942 542
3 months to 1 year	**19 115 382**	19 055 862
Provision for credit impairment	**(4 211 531)**	(3 690 286)
Non-current portion	**53 807 613**	52 404 350
Gross loans and advances	**72 319 127**	68 636 718
1 to 2 years	**19 373 948**	19 856 423
2 to 5 years	**30 108 384**	30 332 145
More than 5 years	**6 223 196**	5 097 016
Non-contractual(2)	**16 613 599**	13 351 134
Provision for credit impairments	**(18 511 514)**	(16 232 368)
Total gross loans and advances	**103 274 742**	98 090 457
Loan origination fees – deferred	**(284 289)**	(275 986)
Gross loans and advances	**102 990 453**	97 814 471

(1) *In the comparative year, gross loans and advances and the provision for impairment for the Retail bank segment were presented as one line item based on a single view of the client. For the current year, a product view has been presented with the single view of the client as a secondary consideration for ECL purposes. Comparatives have been amended to be consistent with the presentation for the current year.*

(2) *Non-contractual gross loans and advances consist of stage 3 loans more than 3 months in arrears and stage 3 loans with legal statuses.*

Accounting policies

Recognition and measurement of loans and advances to clients

Loans and advances to clients are debt instruments that are recognised when the group becomes a party to the contractual terms of the debt instrument/credit agreement and funds are advanced to borrowers.

The Retail bank grants unsecured term loans and revolving access and credit card facilities to individuals. The Business bank grants business and mortgage loans to small and medium enterprises. Business loans comprise term loans, rental finance, structured loans, overdrafts and credit card advances. Mortgage loans consist of loans where Capitec is the credit provider. These do not include loans provided in association with SA Home Loans as Capitec is the originator and not the credit provider and does not service these loans.

Loans and advances are initially recognised at fair value plus directly attributable transaction costs. Loans and advances to clients are held for the collection of their contractual cash flows which represent SPPI and are measured at amortised cost after initial recognition. Interest income from these financial assets is recognised in interest income through profit or loss using the effective interest rate method. Impairment charges are presented as part of the impairment charge in profit or loss.

Derecognition

Loans and advances are derecognised when:

- the contractual rights or obligations expire or are extinguished, discharged or cancelled, for example, an outright sale or settlement
- the group has transferred substantially all risk and rewards of ownership of the asset to another entity and the derecognition criteria of IFRS 9 are met
- they are transferred and the contractual terms of the instrument are substantially modified and the derecognition criteria of IFRS 9 are met.

If the contractual cash flows of a financial asset measured at amortised cost are modified (renegotiated or rescheduled), the group considers whether this is a substantial modification to the original terms, or if the modification is merely an attempt to recover the original contractual amounts outstanding as part of a distressed modification.

If the changes are considered to be a substantial modification, the group derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates the effective interest rate for the asset. Differences in the carrying amount are recognised in profit or loss as a gain or loss on derecognition.

Loan consolidations are treated as a derecognition of the original loans as the contractual cash flows from the financial assets expire.

Modifications

If the contractual cash flows of a financial asset measured at amortised cost are modified (renegotiated or rescheduled) to recover the original contractual amounts outstanding as part of a distressed modification, the group does not derecognise the original financial asset.

The group recalculates the gross carrying amount of the financial asset as the present value of the modified contractual cash flows discounted at the loan's original effective interest rate. The difference between the recalculated gross carrying amount and the gross carrying amount before the modification is recognised as a modification gain or loss.

In instances where the group reschedules a credit agreement, the cash flows are renegotiated with the client. If the internal rate of return is affected by the modification of the agreement, a modification gain or loss is recognised. If the internal rate of return remains the same, there are no gains or losses.

When a client goes into debt review, cash flows are renegotiated. If the internal rate of return is affected by the modification of the agreement, a modification gain or loss is recognised.

Notes to the financial statements continued

Year ended 29 February 2024

8. Net loans and advances continued

Accounting policies continued

Modifications continued

R'000	2024 Amortised cost before modification[3]	2024 Modification losses	2024 Gross carrying amount at year-end of loans that cured to stage 1[1]	2023 Amortised cost before modification[3]	2023 Modification losses	2023 Gross carrying amount at year-end of loans that cured to stage 1
Modifications on loans and advances[2]						
Term loans						
Debt review	**1 769 934**	**586 177**	**—**	1 674 554	530 369	31
Interest rate change	**3 001**	**(36)**	**1 835**	19 073	170	9 729
Total modified loans	**1 772 935**	**586 141**	**1 835**	1 693 627	530 539	9 760
Access facility						
Debt review	**1 021 817**	**317 874**	**—**	501 976	136 101	—
Interest rate change	**—**	**—**	**—**	—	—	—
Total modified loans	**1 021 817**	**317 874**	**—**	501 976	136 101	—
Credit card						
Debt review	**247 551**	**47 990**	**101**	154 062	21 108	13
Interest rate change	**—**	**—**	**—**	—	—	—
Total modified loans	**247 551**	**47 990**	**101**	154 062	21 108	13

(1) The gross carrying amount at year-end of loans on which a modification loss occurred during the year that cured to stage 1.

(2) In the prior year, one modification table based on a single client view was presented. For the current year, a product view has been presented with the single view of the client as a secondary consideration. Comparatives have been amended to be consistent with the presentation for the current year.

(3) Includes only loans and advances on which a modification gain or loss has been recognised in the current year.

Loan write-offs

Write-off is a derecognition event. Loans and advances are written off when it has been determined that no reasonable expectation of recovery exists.

The Retail bank considers the point at which there is no reasonable expectation of further recovery to be when the loan has a present value of projected future recoveries that approximates 5% of the gross balance before write-off. This is currently estimated based on recovery estimates that are driven by account status, handover score and consecutive missed payments.

This point is currently estimated as:
- loans terminated from debt review:
  - 4 consecutive missed payments (after allowing 3 months for administration)
- loans that have been handed over/other legal status:
  - handover score less than the predetermined threshold
  - handover score more than the predetermined threshold with 4 consecutive missed payments (after allowing 3 months for administration).

Cash inflows after write-off are disclosed as bad debts recovered.

The Business bank writes loans and advances off when the group has no reasonable expectation of recovering the financial asset. This is the case when the group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A judgemental approach to write-off is followed, based on a case-by-case assessment by a credit committee. Each credit portfolio has a write-off policy that aligns with the principles of IFRS 9 while taking the business context of that portfolio into account. The portfolio policies are applied to each loan in the portfolio on an individual basis.

The group may apply enforcement activities to written off financial assets. Recoveries resulting from the group's enforcement activities are disclosed as bad debts recovered. Refer to note 30.

Balances written off during the current year that are still subject to enforcement activities are:
- Term loans: R6.6 billion (2023: R4.8 billion)
- Access facility: R1.9 billion (2023: R0.5 billion)
- Credit cards: R0.6 billion (2023: R0.4 billion)
- Business loans: R86.0 million (2023: R95.1 million)
- Mortgages: R19.5 million (2023: R19.6 million).

As the access facility product has matured further and the macroeconomic environment has affected our access facility clients the balances subject to enforcement have increased.

Recognition and measurement of ECL

IFRS 9's ECL model requires the classification and measurement of ECL using the general model for loans and advances measured at amortised cost. In essence, the general model is a 3-stage model. Loans and advances within stage 1 are measured based on a 12-month ECL and a lifetime ECL is determined for loans and advances within stage 2 and stage 3. The group applied the ECL model to loans and advances to clients as well as to undrawn commitments.

The ECL is calculated as an unbiased, probability-weighted amount which is determined by evaluating the range of reasonably possible outcomes, the time value of money and considering all reasonable and supportable information including forward-looking information. The period over which the ECL is calculated is limited to the maximum contractual period.

The ECL calculation is estimated as the excess of the carrying amount above the present value of expected cash flows, discounted using the effective interest rate on the financial instrument as calculated at initial recognition (initiation fee plus interest).

The key inputs used for measuring ECL are:
- Probability of default (PD)
- Loss given default (LGD)
- Exposure at default (EAD).

PD is an estimate of the likelihood of default over a given time horizon. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates. The estimation is based on current conditions, adjusted to take into account estimates of future conditions that will impact the PD.

The calculation is based on a statistical model that predicts the future repayment performance of clients based on their arrears status, model segment and tenure. Future cash flows and arrears status probabilities are generated from which an ECL provision is calculated. The prediction of future repayment is based on observed roll rates over the last 12 months. Roll rates refer to the rates at which clients transition or roll from a repayment status in a given month to a repayment status in the following month.

LGD is an estimate of the loss arising on default. LGD models for unsecured assets consider time of recovery, recovery rates and seniority of claims. The calculation is on a DCF basis. LGD models for secured business banking products are based on the difference between the contractual cash flows due and those that the group expects to receive, taking into account cash flows from any collateral.

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest and expected drawdowns on committed facilities. The EAD is calculated by creating an amortisation structure for each account. This structure includes the expected monthly repayment as well as the projected monthly cumulative repayment status probabilities and the cash flows associated with every repayment status.

The group's modelling approach for EAD reflects expected changes in the balance outstanding over the lifetime of the loan exposure that are permitted by the current contractual terms, such as amortisation profiles, early repayment or overpayment, changes in utilisation of undrawn commitments and credit mitigation actions taken before default.

Notes to the financial statements continued

Year ended 29 February 2024

8. Net loans and advances continued

Accounting policies continued

Recognition and measurement of ECL continued

The group uses EAD models that reflect the characteristics of the portfolios.

The development of the group's processes for measuring ECL, including the monitoring of SICR, the incorporation of economic forward-looking information and the methods used to calculate ECL, and ensuring that policies and procedures are in place to appropriately maintain and validate models used to measure ECL, are overseen by the group's credit committees. The internal audit function performs regular audits to ensure that established controls and procedures are both adequately designed and implemented.

Credit risk exposure

	GROUP	
R'000	2024	2023
Maximum exposure to credit risk[1]		
Loans and advances	103 274 742	98 090 457
Retail bank – on-balance sheet	84 130 699	82 572 730
Term loans	48 684 840	50 383 818
Access facility	25 816 027	24 458 375
Credit card	9 629 832	7 730 537
Business bank – on-balance sheet	19 144 043	15 517 727
Business loans	9 530 125	7 462 885
Mortgage loans	9 613 918	8 054 842
Retail loan commitments – off-balance sheet	13 759 275	15 799 468
Access facility	11 074 493	13 710 124
Credit card	2 684 782	2 089 344
Business bank loan commitments – off-balance sheet	400 706	303 706
Bonds	315 153	219 907
Credit card	85 553	83 799
Guarantees – Business bank	558 626	771 397
Letters of credit – Business bank	54 928	32 229
Maximum exposure to credit risk	118 048 277	114 997 257

(1) *In the comparative year, the exposure to credit risk for the Retail bank and Business bank was presented as one line item based on a single view of the client. For the current year, a product view has been presented with the single view of the client as a secondary consideration. Comparatives have been amended to be consistent with the presentation for the current year.*

The gross carrying amount of on-balance sheet loans and advances represents the group's maximum exposure to credit risk on these assets.

Loan commitments are irrevocable commitments and guarantees that may be drawn down without any credit intervention and can be revoked within a period of less than a month.

Accounting policies

Terminology used to discuss the credit quality of loans and advances

Credit risk	The possibility of a loss happening due to a borrower's failure to repay a loan or satisfy contractual obligations.
Up-to-date loans and advances, rehabilitated rescheduled loans	Clients who are fully up-to-date with their original contractual obligations, or clients with amended contractual obligations and who have rehabilitated post rescheduling, are classified as up-to-date. SICR is identified for loans and advances that are up-to-date but have reached certain behaviour risk thresholds, or specific events have occurred that indicate a SICR.
Retail bank loan consolidations	Loan consolidations occur when a client with an existing Retail bank unsecured loan applies for further credit. A consolidation loan is always the result of the full credit assessment process that all clients (both new and existing) go through when applying for new credit. The outcome of the full credit assessment process is either a consolidation loan, a new separate loan or no new loan granted. These loans are not seen as modifications.
Rescheduling (Retail bank)	Rescheduling refers to an amendment of the original terms of a loan agreement, as formally agreed between the group and the client. Rescheduling is used as a rehabilitation mechanism for clients in arrears who are contacted successfully by centralised collections. It is also used as a proactive mechanism to assist up-to-date clients who contact the bank when wanting to reschedule their loans due to changes in their circumstances. No initiation fee is charged on a rescheduled loan as no new credit is granted. Rescheduled loans do not form part of loan sales.
Rescheduling (Business bank)	Rescheduling refers to an amendment of the original terms of a loan agreement. This can be done in the normal course of business (defined as a restructure). Rescheduling can also be used as a rehabilitation mechanism for clients who would otherwise not be able to meet their commitments (defined as distressed restructure). A reschedule is classified as stage 1 when there is no indication of SICR, as stage 2 when there is an indication of SICR and as stage 3 where the borrower is in arrears.
Rehabilitated	Clients with rescheduled loans are deemed to be rehabilitated once they have made contractual payments for 6 consecutive months post rescheduling and are up-to-date with their amended contractual obligations. This is supported by statistical analysis.
Rescheduled from up-to-date not rehabilitated (Retail bank)	These are loans and advances relating to clients who were fully up-to-date with their original contractual obligations, have contacted the group to reschedule the original terms of their loan due to a change in their circumstances and have made payments under the rescheduled terms. These clients are up-to-date with their amended contractual obligations post rescheduling but have not yet made payments for 6 consecutive months under the amended agreement. Loans rescheduled from up-to-date are considered to be stage 1 once these loans have rehabilitated, unless their behaviour score indicates a SICR, in which case the loan will be in stage 2. The loans are seen as stage 3 until they have rehabilitated.
Rescheduled from arrears not rehabilitated (Retail bank)	These are loans and advances relating to clients who were in arrears and were subsequently rescheduled and have made payments under the rescheduled terms. These clients are up-to-date with their amended contractual obligations but have not yet made payments for 6 consecutive months under the amended agreement. Loans rescheduled from arrears are considered to be stage 1 once these loans have rehabilitated, unless their behaviour scores indicate a SICR, where the loan will be in stage 2. The loans are seen as stage 3 until they have rehabilitated.
Rescheduled from up-to-date not rehabilitated (Business bank)	These are loans and advances relating to clients who were fully up-to-date with their original contractual obligations, have contacted the group to reschedule the original terms of their loan due to a change in their circumstances and have made payments under the rescheduled terms. These clients are up-to-date with their amended contractual obligations post rescheduling but have not yet made payments for 6 consecutive months under the amended agreement. Loans rescheduled from up-to-date are considered to be stage 1 once these loans have rehabilitated, unless there is an indication of SICR, in which case the loan will be in stage 2. The loans are seen as stage 2 until they have rehabilitated.
Rescheduled from arrears not rehabilitated (Business bank)	These are loans and advances relating to clients who were in arrears and were subsequently rescheduled and have made payments under the rescheduled terms. These clients are up-to-date with their amended contractual obligations but have not yet made payments for 6 consecutive months under the amended agreement. Loans rescheduled from arrears are considered to be stage 1 once these loans have rehabilitated, unless there is an indication of SICR, in which case the loan will be in stage 2. The loans are seen as stage 2 until they have rehabilitated.

Notes to the financial statements continued

Year ended 29 February 2024

8. Net loans and advances continued

Accounting policies continued

Terminology used to discuss the credit quality of loans and advances continued

Application for debt review	Clients that apply for debt review are identified as credit-impaired, and the related loans are classified as stage 3 for the first 6 months following application. Clients who applied for debt review more than 6 months ago who are up-to-date are identified as SICR and the related loan is classified as stage 2 between 6 and 12 months following application. If clients applied for debt review more than 12 months ago and remained up-to-date, the related loan is classified as stage 1 subject to the SICR assessment.
Arrears	Arrears comprise the outstanding balances, where 1 or more instalments (or part of an instalment) on any of the client's loans and advances remain unpaid past the contractual payment date. The arrears balance therefore includes rescheduled loans when the amended instalment was not paid in full.
Forward-looking macroeconomic assumptions	IFRS 9 requires that forward-looking macroeconomic assumptions be applied to both 12-month and lifetime ECL calculations.

Retail bank

Credit risk exposure

The Retail bank grants unsecured loans and the clients' loan balances as per the statement of financial position are exposed to credit risk. Exposure to systemic credit risk is regarded as being potentially higher due to the credit characteristics of the client base. Exposure to single-name concentration credit risk is, however, low due to the nature (smaller average loan sizes) and distribution (numerous individuals across the spectrum of economic sectors and provinces) of the loan book.

Gross loans and advances exposures by economic sector are as follows:

	GROUP	
R'000	**2024**	**2023**
Retail		
Government and municipalities	**35 196 225**	34 202 839
Retail and wholesale	**7 705 970**	7 723 394
Mining	**7 989 999**	8 085 545
Manufacturing and logistics	**12 837 158**	14 253 303
Services	**13 071 792**	11 708 076
Other	**7 045 266**	6 323 587
Gross loans and advances	**83 846 410**	82 296 744

Credit risk management

Credit risk is managed through every stage of the credit life cycle by following a combination of governance, decision support and business support. Governance includes regulators, industry associations, the group's financial governance and committees which support and influence credit strategy. Decision support is a specialist credit risk statistical analysis team that develops credit models and scorecards that are aligned with business strategies and credit risk appetite for unsecured retail lending. Credit risk management is provided by other areas of the business to ensure optimisation of the granting, collection and recovery models and systems.

Measures taken by the group to limit credit risk for unsecured retail lending 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 RCMC. The key consideration regarding credit risk management is to maintain the Retail bank lending book within the group's credit risk appetite through customised acquisition, retention and rehabilitation strategies.

The reason why clients approach credit providers for credit is that they have specific requirements. These requirements include the need for home improvements, education, second-hand vehicles and medical expenses.

We encourage clients to match the term of the loan to the requirement for funds. Thus, short-term loans and facilities (similar to overdrafts) are used for cash flow reasons, while medium-term loans are matched against appliances and education. The predominant use of long-term loans is for housing. By continuously refining our credit offering, we are able to provide clients with unsecured credit solutions that best suit their personal needs and at competitive interest rates compared to the secured credit market.

In order to execute this solution, we incorporate a comprehensive assessment of the client's behaviour, affordability and source of income. For the assessment, we use information from credit bureaus, bank statements and payslips. We apply 3 parallel disposable income calculations, i.e. the National Credit Act, Act 34 of 2005 (NCA) affordability calculation, a Capitec client disposable income calculation that maintains buffers for conservatism and the client's own calculation. We then apply the most stringent of the 3. Branch employees have no credit granting discretion and all exceptions are managed and monitored by a centralised specialist team.

During the loan application process, we present the maximum loan amount, maximum term and maximum instalment to the client. Within these constraints, the client may select any combination that best suits them. We encourage clients to take up credit for shorter periods of time and for smaller amounts. This is done through a pricing model that discounts the interest rate in instances where clients select a term that is shorter than the maximum for which they qualify. This is due to the manner in which the pricing for risk model reacts to the lower default rates for such clients.

When existing clients apply for further credit we conduct a full credit assessment. If a client qualifies for further credit, it can be extended as a further agreement in addition to the current credit, or the client can have the existing credit consolidated into a new credit agreement. This is only available for clients if instalments are up-to-date on all Capitec loans and to clients who have a satisfactory credit risk.

Our scoring models react to instances where a client repeatedly takes up credit, and when their debt-to-income ratio becomes too high. In such instances, we limit the term and amount of credit offered to clients or we decline the application for credit.

Acquisition and retention strategies are built on the principles of the client's credit behaviour (willingness to pay), affordability and source of income. Rehabilitation strategies are need-driven to assist clients based on their unique circumstances.

Unforeseen circumstances may lead to reduced income or increased expenditure for the client. The circumstances may include:

- employers who reduce overtime and bonuses or place employees on short pay due to difficult economic conditions
- strikes
- clients who may be forced to change employment at reduced salaries due to poor performance or health problems
- financial problems faced by employers.

These instances may result in a client missing an instalment on a loan and being in arrears.

If the client is in arrears due to challenges regarding the client's inability to repay the debt, we either negotiate with the client to immediately bring the arrears instalments up-to-date, or we attempt to help and manage the situation through agreeing a course of action with the client by amending the loan agreement (loan reschedule).

The first solution is preferable as it:

- reduces arrears if the client pays on the same date
- improves our cash flow
- helps restore the client to a creditworthy position
- limits the overall cost of credit for clients.

8. Net loans and advances continued

Retail bank continued

Credit risk management continued

Practically, there is a risk that placing too much pressure on clients (such as expecting clients in financial distress to repay 2 instalments in a single month when they cannot afford to do so) can be counterproductive. In such a case, clients could refuse to cooperate, stop communicating with us and stop paying instalments.

We have extensive history that measures the yields we can receive by handing clients over to external debt collectors. We monitor the cash flow yields that we receive from this process against internal collection processes, including rescheduling. We optimise the strategy for different client groups and use handover samples for each strategy to monitor the relative performance and validate the strategy for each client group.

Factors that we consider in delivering the optimal strategy for a client include:

- the risk profile and payment history of the client
- the arrears status of the client
- whether the client's loans were rescheduled previously
- the credit exposure amount
- free cash flow estimates derived from clients' bank accounts or credit bureau records (salary less debit orders)
- any information we have about the client's employer.

Depending on a combination of factors, the optimal strategy is to encourage clients with some free cash flow or limited credit exposure to bring arrears instalments up-to-date, or assist clients who have cash flow difficulty but have good behaviour history to reduce their instalments and extend the term of the credit agreement (i.e. reschedule). When there is a clear temporary interruption of income such as a strike or a client is on maternity leave, we may allow a reduced instalment for a short period (typically 3 months) with subsequent increased instalments, in order to assist the client through this period (i.e. variable reschedule). We write the loan off when the problem appears to relate to the client's unwillingness or inability to pay.

We use system-based rules to limit instances where we allow rescheduling. The rules engine determines whether clients are eligible for rescheduling as well as the maximum term for which the loan can be extended. We do not reschedule all loans that meet our criteria, as this depends on the individual circumstances of each client applying to reschedule. We treat, monitor and separately disclose the performance of clients who were in arrears when applying for rescheduling.

We monitor the performance and cure rate of rescheduled loans using a segmented approach to ensure that these remain within the bank's risk appetite.

This process allows us to optimise collections and reduce clients' debt levels. Our aim is always to partner with our clients through both good and tough times and act in their best interests.

Credit risk mitigation

Interest rate limits and fees for credit agreements were changed on 6 May 2016 by the National Credit Regulator. Prior to this date, we charged our Retail bank clients an all-inclusive rate and Capitec insured the loan book against death and retrenchment. From May 2016, all loans granted with terms that are greater than 6 months require our Retail bank clients to take out credit life insurance. This protects them against the unfortunate event of retrenchment, temporary or permanent disability and loss of income, and in the case of death, there is no claim against their deceased estate for any amount outstanding. Prior to May 2023, we provided our clients with the option to take out the appropriate credit life insurance through a third-party cell captive. From May 2023, our clients have had the option to take out the appropriate credit life insurance through Capitec Life.

Analysis of net loans and advances by stage

The following tables contain an analysis of the credit risk exposure of loans and advances for which an ECL allowance is recognised.

Term loans

	Stage 1 12-month ECL	Stage 2 Lifetime ECL		Stage 3 Lifetime ECL				
R'000	Up-to-date	Up-to-date loans with SICR and applied for debt review >6 months[2]	Up to 1 month in arrears	2 and 3 months in arrears	Rescheduled from up-to-date (not yet rehabi-litated)	Rescheduled from arrears (not yet rehabi-litated)	More than 3 months in arrears, legal statuses and applied for debt review <6 months	Total
2024								
Gross loans and advances	**25 831 034**	**6 643 767**	**875 569**	**1 573 232**	**1 631 568**	**1 800 092**	**10 045 289**	**48 400 551**
Provision for credit impairments (ECL)	**(1 647 998)**	**(1 260 685)**	**(434 291)**	**(1 123 934)**	**(482 699)**	**(490 200)**	**(7 451 912)**	**(12 891 719)**
Net loans and advances[1]	**24 183 036**	**5 383 082**	**441 278**	**449 298**	**1 148 869**	**1 309 892**	**2 593 377**	**35 508 832**
ECL coverage by category (%)	**6.4**	**19.0**	**49.6**	**71.4**	**29.6**	**27.2**	**74.2**	**26.6**
ECL coverage by stage (%)								
Stage 1	**6.4**							
Stage 2	**22.5**							
Stage 3	**63.4**							
2023								
Gross loans and advances	27 835 934	7 269 363	1 032 445	1 588 496	1 515 550	1 652 844	9 213 200	50 107 832
Provision for credit impairments (ECL)	(1 854 723)	(1 231 322)	(498 255)	(1 102 794)	(451 474)	(441 433)	(6 650 351)	(12 230 352)
Net loans and advances[1]	25 981 211	6 038 041	534 190	485 702	1 064 076	1 211 411	2 562 849	37 877 480
ECL coverage by category (%)	6.7	16.9	48.3	69.4	29.8	26.7	72.2	24.4
ECL coverage by stage (%)								
Stage 1	6.7							
Stage 2	20.8							
Stage 3	61.9							

[1] In the comparative year, gross loans and advances and the provision for impairment for the Retail bank were presented as one line item based on a single view of the client. For the current year, a product view has been presented with the single view of the client as a secondary consideration for ECL purposes. Comparatives have been amended to be consistent with the presentation for the current year.

[2] The forward-looking SICR amounts that were reflected as a separate column in the prior year financial statements have been included in the up-to-date loans with SICR and applied for debt review >6 months column due to the change in economic conditions. The forward-looking SICR column provided additional granularity that was required to explain the SICR figures during the COVID-19 pandemic and subsequent periods. In the current year, forward-looking SICR balances are no longer a significant component per product to warrant separate disclosure in this note (the impact of the change in forward-looking information on the ECL can still be noted in the Analysis of provision for ECL). The comparatives have been amended for the updated presentation.

Analysis of up-to-date loans and advances in stage 1[1]

R'000	2024	2023
Stage 1 – up-to-date		
Up-to-date not previously rescheduled	**23 657 121**	25 593 748
Rescheduled from up-to-date and rehabilitated	**1 338 007**	1 294 047
Rescheduled from arrears and rehabilitated	**835 906**	948 139
Gross loans and advances – Stage 1	**25 831 034**	27 835 934

[1] In the comparative year, the analysis of up-to-date loans and advances for all products was presented together based on a single view of the client. For the current year, a product view has been presented with the single view of the client as a secondary consideration. Comparatives have been amended to be consistent with the presentation for the current year.

Notes to the financial statements continued

Year ended 29 February 2024

8. Net loans and advances continued

Retail bank continued

Analysis of net loans and advances by stage continued

Access facility

	Stage 1 12-month ECL	Stage 2 Lifetime ECL		Stage 3 Lifetime ECL				
R'000	Up-to-date	Up-to-date loans with SICR and applied for debt review >6 months[(2)]	Up to 1 month in arrears	2 and 3 months in arrears	Rescheduled from up-to-date (not yet rehabilitated)	Rescheduled from arrears (not yet rehabilitated)	More than 3 months in arrears, legal statuses and applied for debt review <6 months	Total
2024								
Gross loans and advances	**15 506 557**	**3 987 878**	**451 456**	**686 279**	**616 958**	**499 933**	**4 066 966**	**25 816 027**
Provision for credit impairments (ECL)	**(1 544 977)**	**(1 247 056)**	**(272 427)**	**(419 261)**	**(176 118)**	**(175 011)**	**(3 022 215)**	**(6 857 065)**
Net loans and advances[(1)]	**13 961 580**	**2 740 822**	**179 029**	**267 018**	**440 840**	**324 922**	**1 044 751**	**18 958 962**
ECL coverage by category (%)	**10.0**	**31.3**	**60.3**	**61.1**	**28.5**	**35.0**	**74.3**	**26.6**
ECL coverage by stage (%)								
Stage 1	**10.0**							
Stage 2	**34.2**							
Stage 3	**64.6**							
2023								
Gross loans and advances	16 598 589	3 866 339	553 867	484 618	401 926	261 840	2 291 196	24 458 375
Provision for credit impairments (ECL)	(1 385 293)	(1 275 778)	(275 581)	(317 292)	(132 210)	(85 773)	(1 674 601)	(5 146 528)
Net loans and advances[(1)]	15 213 296	2 590 561	278 286	167 326	269 716	176 067	616 595	19 311 847
ECL coverage by category (%)	8.3	33.0	49.8	65.5	32.9	32.8	73.1	21.0
ECL coverage by stage (%)								
Stage 1	8.3							
Stage 2	35.1							
Stage 3	64.2							

(1) *In the comparative year, gross loans and advances and the provision for impairment for the Retail bank were presented as one line item based on a single view of the client. For the current year, a product view has been presented with the single view of the client as a secondary consideration for ECL purposes. Comparatives have been amended to be consistent with the presentation for the current year.*

(2) *The forward-looking SICR amounts that were reflected as a separate column in the prior year financial statements have been included in the up-to-date loans with SICR and applied for debt review >6 months column due to the change in economic conditions. The forward-looking SICR column provided additional granularity that was required to explain the SICR figures during the COVID-19 pandemic and subsequent periods. In the current year, forward-looking SICR balances are no longer a significant component per product to warrant separate disclosure in this note (the impact of the change in forward-looking information on the ECL can still be noted in the Analysis of provision for ECL). The comparatives have been amended for the updated presentation.*

Analysis of up-to-date loans and advances in stage 1[(1)]

R'000	2024	2023
Stage 1 – up-to-date		
Up-to-date not previously rescheduled	**14 813 831**	16 554 800
Rescheduled from up-to-date and rehabilitated	**491 607**	14 124
Rescheduled from arrears and rehabilitated	**201 119**	29 665
Gross loans and advances – Stage 1	**15 506 557**	16 598 589

(1) *In the comparative year, the analysis of up-to-date loans and advances for all products was presented together based on a single view of the client. For the current year, a product view has been presented with the single view of the client as a secondary consideration. Comparatives have been amended to be consistent with the presentation for the current year.*

Credit card

	Stage 1 12-month ECL	Stage 2 Lifetime ECL		Stage 3 Lifetime ECL		
R'000	Up-to-date	Up-to-date loans with SICR and applied for debt review >6 months[(2)]	Up to 1 month in arrears	2 and 3 months in arrears	More than 3 months in arrears, legal statuses and applied for debt review <6 months	Total
2024						
Gross loans and advances	**7 245 718**	**738 466**	**247 465**	**165 265**	**1 232 918**	**9 629 832**
Provision for credit impairments (ECL)	**(412 213)**	**(197 082)**	**(97 792)**	**(80 506)**	**(822 050)**	**(1 609 643)**
Net loans and advances[(1)]	**6 833 505**	**541 384**	**149 673**	**84 759**	**410 868**	**8 020 189**
ECL coverage by category (%)	**5.7**	**26.7**	**39.5**	**48.7**	**66.7**	**16.7**
ECL coverage by stage (%)						
Stage 1	**5.7**					
Stage 2	**29.9**					
Stage 3	**64.6**					
2023						
Gross loans and advances	5 884 980	618 892	177 579	128 487	920 599	7 730 537
Provision for credit impairments (ECL)	(393 602)	(179 867)	(76 948)	(72 810)	(705 591)	(1 428 818)
Net loans and advances[(1)]	5 491 378	439 025	100 631	55 677	215 008	6 301 719
ECL coverage by category (%)	6.7	29.1	43.3	56.7	76.6	18.5
ECL coverage by stage (%)						
Stage 1	6.7					
Stage 2	32.2					
Stage 3	74.2					

(1) *In the comparative year, gross loans and advances and the provision for impairment for the Retail bank were presented as one line item based on a single view of the client. For the current year, a product view has been presented with the single view of the client as a secondary consideration for ECL purposes. Comparatives have been amended to be consistent with the presentation for the current year.*

(2) *The forward-looking SICR amounts that were reflected as a separate column in the prior year financial statements have been included in the up-to-date loans with SICR and applied for debt review >6 months column due to the change in economic conditions. The forward-looking SICR column provided additional granularity that was required to explain the SICR figures during the COVID-19 pandemic and subsequent periods. In the current year, forward-looking SICR balances are no longer a significant component per product to warrant separate disclosure in this note (the impact of the change in forward-looking information on the ECL can still be noted in the Analysis of provision for ECL). The comparatives have been amended for the updated presentation.*

Analysis of up-to-date loans and advances in stage 1[(1)]

R'000	2024	2023
Stage 1 – up-to-date		
Up-to-date not previously rescheduled	**7 245 718**	5 884 980
Gross loans and advances – Stage 1	**7 245 718**	5 884 980

(1) *In the comparative year, the analysis of up-to-date loans and advances for all products was presented together based on a single view of the client. For the current year, a product view has been presented with the single view of the client as a secondary consideration. Comparatives have been amended to be consistent with the presentation for the current year.*

Definition of stages

Stage 1

These are loans and advances which are up-to-date with no indication of SICR as well as loans that have been rescheduled from either up-to-date or arrears and have rehabilitated. Clients who applied for debt review more than 12 months ago and remained up-to-date are classified as stage 1 subject to the SICR assessment.

8. Net loans and advances continued

Retail bank continued

Analysis of net loans and advances by stage continued

Definition of stages continued

Stage 1 continued

An ECL representing the lifetime cash shortfall arising from possible default events up to 12 months into the future from the reporting date is recognised at the time of initial recognition of the financial debt instruments.

An ECL continues to be determined on this basis until there is a SICR or the financial debt instrument becomes credit-impaired.

A cash shortfall is the difference between the cash flows that are due in accordance with the contractual terms of the financial debt instrument and the cash flows that the group expects to receive over the contractual life of the financial debt instrument.

Stage 2

The group monitors financial debt instruments subject to the impairment requirements at each reporting date to determine whether evidence exists that there has been a SICR since initial recognition of the financial instrument. The 12-month ECL is extended to a lifetime ECL for these clients.

The following loans and advances are included in stage 2:
- Up-to-date loans with SICR
- Loans where the forward-looking information indicates SICR
- Loans up to 1 month in arrears
- Loans where clients applied for debt review between 6 and 12 months ago and which are up-to-date.

The group identifies SICR for clients who are up-to-date on their loans, but who have reached certain behaviour risk thresholds or where specific events have occurred that indicate a SICR.

The Retail bank considers the following to be a SICR for all loans and advances extended to the client:
- Where a client has been reported as being retrenched or unemployed
- Where a client has a product that is in arrears or has been rescheduled, all products held by the client are identified as subject to a SICR
- Where a client has a behaviour score that has decreased below the internal SICR threshold set by the bank
- Where a client's employer has been deemed as high risk.

Stage 3 (credit-impaired assets)

The group defines loans and advances as being credit-impaired when 1 or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Interest on loans and advances categorised as stage 3 is recognised in the income statement net of ECL impairments. A lifetime ECL is applied to stage 3 (credit-impaired) loans.

Loans and advances are considered to be credit-impaired upon the occurrence of any of the following events:
- The client is 2 or 3 months past due on contractual payments
- The client is placed under debt review
- The client is handed over for collection or has another legal status
- The client is in default. Default is defined as the point at which a client is more than 3 months past due on contractual payments
- The client applied for debt review less than 6 months ago and the loans are currently performing
- The loan was rescheduled from up-to-date and is up-to-date (not yet rehabilitated)
- The loan is currently up to 1 month in arrears and was previously rescheduled but has not rehabilitated
- The loan was rescheduled from arrears and is up-to-date (not yet rehabilitated).

Implementation of ECL measurement

Loans and advances comprise a large number of small, homogeneous assets.

An ECL provisioning model based on historical roll rates using the Markov chain method is used.

The Markov roll rate results are stratified into similar groups to ensure results are stable and appropriate to predict future cash flows for clients with similar characteristics.

Aspects such as client risk groups, time on book, product term, payment frequency (monthly, fortnightly or weekly), default statuses, employment, industry and rescheduling status and the behaviour score of the client are stratified.

The model combines the roll rate matrices with a loan amortisation model on a loan-by-loan basis. The specific features of each loan such as balance, interest rate, fees, remaining term, instalments and arrears status, combined with the roll rates applicable to loans with the same characteristics, enable the group to estimate the expected cash flow and balance amortisation of the loan. The rolled-up results enable the Retail bank to analyse portfolio and segmented views.

To determine the ECLs on the access facility and credit card portfolios, the group models the probability of an account entering default, the average exposure when an account enters default and the LGD based on historical trends. Clients are grouped together according to similar risk characteristics, and historical default performance is projected into the future on the current non-default portfolio. The expected future incremental loss is discounted to a present value and is used as the impairment on the portfolio.

For loan commitments 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 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. Refer to note 18.

Credit quality

The group adapted its internal credit rating policy to the Basel PD master scale as required by Basel III during the 2024 financial year. The Basel PD master scale is a list of prescribed risk grades which classify a borrower based on their PD. The mapping process is comprehensive and allows the group to rate all borrowers on a uniform scale regardless of the product. Since all borrowers are represented on a uniform scale, it enables the group to compare various portfolios consistently and accurately.

The Capitec PD master scale ranges from CB bands 1 – 25 depending on the product and reporting segment. Borrower PDs (which are based on a combination of factors) are determined at each reporting date and mapped to the Capitec PD master scale.

The lower the CB band, the lower the PD and the higher the probability of the borrower meeting their financial obligations. Conversely, the higher the CB band, the higher the probability that the borrower will default and not be able to meet their financial obligations.

The CB bands per product and risk-based scorecards used in the Capitec PD master scale are by reporting segment and presented based on reporting date CB bands.

Material product groups	Capitec PD master rating scale	Scorecard
Term loans	CB14 – 25	Term loan behaviour score
Access facility	CB14 – 25	Access facility behaviour score
Credit card	CB14 – 25	Credit card behaviour score

8. Net loans and advances continued

Retail bank continued

Credit quality continued

Term loans[1]

R'000	Stage 1	Stage 2	Stage 3	Total
2024				
CB1 – 14	**595 349**	**21 303**	**209**	**616 861**
CB15	**772 633**	**41 470**	**675**	**814 778**
CB16	**1 985 846**	**160 016**	**5 517**	**2 151 379**
CB17	**2 854 478**	**305 210**	**13 885**	**3 173 573**
CB18	**4 974 559**	**758 542**	**61 606**	**5 794 707**
CB19	**5 959 897**	**1 323 068**	**162 466**	**7 445 431**
CB20	**4 804 201**	**1 654 663**	**335 561**	**6 794 425**
CB21	**2 636 479**	**1 151 121**	**525 009**	**4 312 609**
CB22	**991 298**	**937 699**	**861 837**	**2 790 834**
CB23	**188 750**	**329 250**	**613 431**	**1 131 431**
CB24	**60 165**	**328 143**	**701 930**	**1 090 238**
CB25	**7 379**	**508 851**	**1 822 075**	**2 338 305**
Default	**—**	**—**	**9 945 980**	**9 945 980**
On-balance sheet	**25 831 034**	**7 519 336**	**15 050 181**	**48 400 551**
2023				
CB1 – 14	583 144	16 631	233	600 008
CB15	796 396	33 329	823	830 548
CB16	2 122 702	130 459	4 331	2 257 492
CB17	3 036 800	284 736	11 134	3 332 670
CB18	5 160 656	744 048	52 879	5 957 583
CB19	6 373 870	1 248 592	133 717	7 756 179
CB20	4 937 654	1 566 783	270 015	6 774 452
CB21	3 379 902	1 508 642	424 517	5 313 061
CB22	1 158 898	1 259 941	770 219	3 189 058
CB23	211 797	475 629	620 933	1 308 359
CB24	67 263	424 674	730 749	1 222 686
CB25	6 852	608 344	1 857 717	2 472 913
Default	—	—	9 092 823	9 092 823
On-balance sheet	27 835 934	8 301 808	13 970 090	50 107 832

[1] *In the prior year, within the Credit quality – Retail bank disclosures, Capitec bucketed gross loans and advances based on high risk, medium risk and low risk which were subjectively determined by bucketing accounts by behavioural scores at the reporting date. In addition, in the prior year, the disclosure was presented on a combined level for all Retail bank products. In the current year, gross loans and advances have been bucketed using the Capitec PD master scale and are presented by reporting segment. In the prior year, stage 1 on-balance sheet exposures presented amounted to R1.2 billion for high risk, R10.7 billion for medium risk and R38.5 billion for low risk and off-balance sheet exposure presented amounted to R0.1 billion for high risk, R1.9 billion for medium risk and R13.4 billion for low risk. In the prior year, stage 2 on-balance sheet exposures presented amounted to R3.0 billion for high risk, R4.4 billion for medium risk and R6.1 billion for low risk and off-balance sheet exposure presented amounted to R0.01 billion for high risk, R0.2 billion for medium risk and R0.3 billion for low risk. In the prior year, stage 3 on-balance sheet exposures presented amounted to R16.0 billion for high risk, R1.8 billion for medium risk and R0.7 billion for low risk and no off-balance sheet exposures were presented.*

Access facility[1]

R'000	Stage 1	Stage 2	Stage 3	Total
2024				
CB1 – 14	**357 137**	**8 956**	**3 005**	**369 098**
CB15	**552 419**	**24 393**	**6 580**	**583 392**
CB16	**1 168 130**	**81 549**	**16 926**	**1 266 605**
CB17	**1 473 720**	**159 230**	**38 679**	**1 671 629**
CB18	**1 881 749**	**270 470**	**55 169**	**2 207 388**
CB19	**2 285 731**	**451 542**	**94 989**	**2 832 262**
CB20	**2 327 501**	**553 638**	**134 140**	**3 015 279**
CB21	**2 228 622**	**705 915**	**189 877**	**3 124 414**
CB22	**1 685 375**	**709 337**	**212 658**	**2 607 370**
CB23	**1 140 499**	**695 201**	**240 567**	**2 076 267**
CB24	**400 066**	**431 889**	**208 520**	**1 040 475**
CB25	**5 608**	**347 214**	**654 173**	**1 006 995**
Default	**—**	**—**	**4 014 853**	**4 014 853**
On-balance sheet	**15 506 557**	**4 439 334**	**5 870 136**	**25 816 027**
CB1 – 14	**1 975 795**	**43 870**	**427**	**2 020 092**
CB15	**1 340 024**	**50 050**	**509**	**1 390 583**
CB16	**1 855 578**	**84 800**	**891**	**1 941 269**
CB17	**1 644 378**	**80 444**	**2 766**	**1 727 588**
CB18	**1 404 036**	**84 134**	**2 944**	**1 491 114**
CB19	**1 291 385**	**94 772**	**2 633**	**1 388 790**
CB20	**560 759**	**53 793**	**4 060**	**618 612**
CB21	**280 027**	**36 351**	**4 013**	**320 391**
CB22	**100 862**	**20 331**	**3 989**	**125 182**
CB23	**30 357**	**10 398**	**2 245**	**43 000**
CB24	**4 137**	**2 403**	**1 200**	**7 740**
CB25	**88**	**13**	**31**	**132**
Default	**—**	**—**	**—**	**—**
Off-balance sheet	**10 487 426**	**561 359**	**25 708**	**11 074 493**

[1] *In the prior year, within the Credit quality – Retail bank disclosures, Capitec bucketed gross loans and advances based on high risk, medium risk and low risk which were subjectively determined by bucketing accounts by behavioural scores at the reporting date. In addition, in the prior year, the disclosure was presented on a combined level for all Retail bank products. In the current year, gross loans and advances have been bucketed using the Capitec PD master scale and are presented by reporting segment. In the prior year, stage 1 on-balance sheet exposures presented amounted to R1.2 billion for high risk, R10.7 billion for medium risk and R38.5 billion for low risk and off-balance sheet exposure presented amounted to R0.1 billion for high risk, R1.9 billion for medium risk and R13.4 billion for low risk. In the prior year, stage 2 on-balance sheet exposures presented amounted to R3.0 billion for high risk, R4.4 billion for medium risk and R6.1 billion for low risk and off-balance sheet exposure presented amounted to R0.01 billion for high risk, R0.2 billion for medium risk and R0.3 billion for low risk. In the prior year, stage 3 on-balance sheet exposures presented amounted to R16.0 billion for high risk, R1.8 billion for medium risk and R0.7 billion for low risk and no off-balance sheet exposures were presented.*

Notes to the financial statements continued

Year ended 29 February 2024

8. Net loans and advances continued

Retail bank continued

Credit quality continued

Access facility[1] continued

R'000	Stage 1	Stage 2	Stage 3	Total
2023				
CB1 – 14	270 426	3 453	535	274 414
CB15	517 804	10 399	818	529 021
CB16	1 230 359	43 667	5 966	1 279 992
CB17	1 454 237	88 169	10 861	1 553 267
CB18	2 069 452	172 184	19 937	2 261 573
CB19	2 766 811	325 910	42 348	3 135 069
CB20	2 564 634	501 766	68 837	3 135 237
CB21	2 322 374	696 328	99 229	3 117 931
CB22	1 693 035	784 565	131 967	2 609 567
CB23	1 210 218	786 966	175 237	2 172 421
CB24	490 211	537 598	161 235	1 189 044
CB25	9 028	469 201	500 225	978 454
Default	—	—	2 222 385	2 222 385
On-balance sheet	16 598 589	4 420 206	3 439 580	24 458 375
CB1 – 14	1 447 458	3 445	—	1 450 903
CB15	1 245 278	7 338	412	1 253 028
CB16	2 046 250	21 936	686	2 068 872
CB17	1 855 845	26 796	944	1 883 585
CB18	2 078 552	32 639	1 797	2 112 988
CB19	2 290 539	44 226	2 481	2 337 246
CB20	1 400 986	38 684	2 482	1 442 152
CB21	765 912	26 798	2 285	794 995
CB22	252 062	18 649	1 592	272 303
CB23	69 320	9 674	815	79 809
CB24	11 147	2 731	254	14 132
CB25	67	43	1	111
Default	—	—	—	—
Off-balance sheet	13 463 416	232 959	13 749	13 710 124

[1] *In the prior year, within the Credit quality – Retail bank disclosures, Capitec bucketed gross loans and advances based on high risk, medium risk and low risk which were subjectively determined by bucketing accounts by behavioural scores at the reporting date. In addition, in the prior year, the disclosure was presented on a combined level for all Retail bank products. In the current year, gross loans and advances have been bucketed using the Capitec PD master scale and are presented by reporting segment. In the prior year, stage 1 on-balance sheet exposures presented amounted to R1.2 billion for high risk, R10.7 billion for medium risk and R38.5 billion for low risk and off-balance sheet exposure presented amounted to R0.1 billion for high risk, R1.9 billion for medium risk and R13.4 billion for low risk. In the prior year, stage 2 on-balance sheet exposures presented amounted to R3.0 billion for high risk, R4.4 billion for medium risk and R6.1 billion for low risk and off-balance sheet exposure presented amounted to R0.01 billion for high risk, R0.2 billion for medium risk and R0.3 billion for low risk. In the prior year, stage 3 on-balance sheet exposures presented amounted to R16.0 billion for high risk, R1.8 billion for medium risk and R0.7 billion for low risk and no off-balance sheet exposures were presented.*

Credit card[1]

R'000	Stage 1	Stage 2	Stage 3	Total
2024				
CB1 – 14	134 828	2 314	—	137 142
CB15	291 292	4 183	152	295 627
CB16	436 872	11 356	132	448 360
CB17	909 725	28 428	654	938 807
CB18	1 379 497	75 188	1 654	1 456 339
CB19	1 467 838	113 999	2 467	1 584 304
CB20	1 202 049	144 908	2 212	1 349 169
CB21	883 481	183 090	1 704	1 068 275
CB22	348 572	133 374	2 759	484 705
CB23	129 210	109 412	7 254	245 876
CB24	39 700	75 380	14 234	129 314
CB25	22 654	104 299	144 063	271 016
Default	—	—	1 220 898	1 220 898
On-balance sheet	7 245 718	985 931	1 398 183	9 629 832
CB1 – 14	404 220	10 240	—	414 460
CB15	179 835	4 030	20	183 885
CB16	390 105	18 621	8	408 734
CB17	377 062	25 755	67	402 884
CB18	469 764	53 802	56	523 622
CB19	339 315	48 256	109	387 680
CB20	156 141	26 496	49	182 686
CB21	104 461	26 135	56	130 652
CB22	21 268	9 979	34	31 281
CB23	5 003	4 194	14	9 211
CB24	1 761	1 806	13	3 580
CB25	1 851	4 244	12	6 107
Default	—	—	—	—
Off-balance sheet	2 450 786	233 558	438	2 684 782

[1] *In the prior year, within the Credit quality – Retail bank disclosures, Capitec bucketed gross loans and advances based on high risk, medium risk and low risk which were subjectively determined by bucketing accounts by behavioural scores at the reporting date. In addition, in the prior year, the disclosure was presented on a combined level for all Retail bank products. In the current year, gross loans and advances have been bucketed using the Capitec PD master scale and are presented by reporting segment. In the prior year, stage 1 on-balance sheet exposures presented amounted to R1.2 billion for high risk, R10.7 billion for medium risk and R38.5 billion for low risk and off-balance sheet exposure presented amounted to R0.1 billion for high risk, R1.9 billion for medium risk and R13.4 billion for low risk. In the prior year, stage 2 on-balance sheet exposures presented amounted to R3.0 billion for high risk, R4.4 billion for medium risk and R6.1 billion for low risk and off-balance sheet exposure presented amounted to R0.01 billion for high risk, R0.2 billion for medium risk and R0.3 billion for low risk. In the prior year, stage 3 on-balance sheet exposures presented amounted to R16.0 billion for high risk, R1.8 billion for medium risk and R0.7 billion for low risk and no off-balance sheet exposures were presented.*

Notes to the financial statements continued

Year ended 29 February 2024

8. Net loans and advances continued

Retail bank continued

Credit quality continued

Credit card[1] continued

R'000	Stage 1	Stage 2	Stage 3	Total
2023				
CB1 – 14	98 350	890	34	99 274
CB15	213 934	1 191	78	215 203
CB16	351 608	9 901	169	361 678
CB17	734 261	13 465	579	748 305
CB18	1 129 970	57 530	1 460	1 188 960
CB19	1 229 660	95 707	1 777	1 327 144
CB20	1 048 389	126 967	2 624	1 177 980
CB21	699 105	164 294	1 966	865 365
CB22	250 956	110 580	3 141	364 677
CB23	87 138	84 569	5 769	177 476
CB24	27 104	56 463	12 477	96 044
CB25	14 505	74 914	111 245	200 664
Default	—	—	907 767	907 767
On-balance sheet	5 884 980	796 471	1 049 086	7 730 537
CB1 – 14	286 586	3 814	—	290 400
CB15	138 594	2 575	—	141 169
CB16	332 488	13 891	—	346 379
CB17	306 552	16 099	—	322 651
CB18	364 685	41 854	—	406 539
CB19	258 186	42 510	—	300 696
CB20	117 839	25 196	—	143 035
CB21	65 497	27 344	—	92 841
CB22	16 057	12 070	—	28 127
CB23	3 510	4 502	—	8 012
CB24	1 276	1 581	—	2 857
CB25	1 314	5 324	—	6 638
Default	—	—	—	—
Off-balance sheet	1 892 584	196 760	—	2 089 344

[1] *In the prior year, within the Credit quality – Retail bank disclosures, Capitec bucketed gross loans and advances based on high risk, medium risk and low risk which were subjectively determined by bucketing accounts by behavioural scores at the reporting date. In addition, in the prior year, the disclosure was presented on a combined level for all Retail bank products. In the current year, gross loans and advances have been bucketed using the Capitec PD master scale and are presented by reporting segment. In the prior year, stage 1 on-balance sheet exposures presented amounted to R1.2 billion for high risk, R10.7 billion for medium risk and R38.5 billion for low risk and off-balance sheet exposure presented amounted to R0.1 billion for high risk, R1.9 billion for medium risk and R13.4 billion for low risk. In the prior year, stage 2 on-balance sheet exposures presented amounted to R3.0 billion for high risk, R4.4 billion for medium risk and R6.1 billion for low risk and off-balance sheet exposure presented amounted to R0.01 billion for high risk, R0.2 billion for medium risk and R0.3 billion for low risk. In the prior year, stage 3 on-balance sheet exposures presented amounted to R16.0 billion for high risk, R1.8 billion for medium risk and R0.7 billion for low risk and no off-balance sheet exposures were presented.*

Analysis of gross loans and advances

Term loans[1]

R'000	Stage 1	Stage 2	Stage 3	Total
2024				
Balance as at 1 March 2023	**27 835 934**	**8 301 808**	**13 970 090**	**50 107 832**
Net loan sales	**19 617 597**	**(774 324)**	**(250 688)**	**18 592 585**
New loan sales	**24 465 751**	**—**	**—**	**24 465 751**
Loans derecognised (other than write-offs)	**(4 848 154)**	**(774 324)**	**(250 688)**	**(5 873 166)**
Income accrued for the year	**9 184 622**	**1 713 738**	**3 609 245**	**14 507 605**
Transfers				
Stage 1 to stage 2	**(5 285 176)**	**5 285 176**	**—**	**—**
Stage 1 to stage 3	**(7 632 741)**	**—**	**7 632 741**	**—**
Stage 2 to stage 3	**—**	**(1 876 011)**	**1 876 011**	**—**
Stage 3 to stage 2	**—**	**544 481**	**(544 481)**	**—**
Stage 3 to stage 1	**883 869**	**—**	**(883 869)**	**—**
Stage 2 to stage 1	**1 962 398**	**(1 962 398)**	**—**	**—**
Repayments	**(20 735 469)**	**(3 713 134)**	**(3 958 071)**	**(28 406 674)**
Modifications	**—**	**—**	**214 170**	**214 170**
Write-offs	**—**	**—**	**(6 614 967)**	**(6 614 967)**
Balance as at 29 February 2024	**25 831 034**	**7 519 336**	**15 050 181**	**48 400 551**
2023				
Balance as at 1 March 2022	28 969 197	9 332 455	12 147 560	50 449 212
Net loan sales	21 114 046	(1 159 470)	(340 936)	19 613 640
New loan sales	28 936 771	—	—	28 936 771
Loans derecognised (other than write-offs)	(7 822 725)	(1 159 470)	(340 936)	(9 323 131)
Income accrued for the year	9 685 237	1 510 360	2 890 067	14 085 664
Transfers				
Stage 1 to stage 2	(5 412 255)	5 412 255	—	—
Stage 1 to stage 3	(7 991 447)	—	7 991 447	—
Stage 2 to stage 3	—	(1 638 941)	1 638 941	—
Stage 3 to stage 2	—	447 927	(447 927)	—
Stage 3 to stage 1	929 202	—	(929 202)	—
Stage 2 to stage 1	2 247 953	(2 247 953)	—	—
Repayments	(21 705 999)	(3 354 825)	(3 674 290)	(28 735 114)
Modifications	—	—	(530 540)	(530 540)
Write-offs	—	—	(4 775 030)	(4 775 030)
Balance as at 28 February 2023	27 835 934	8 301 808	13 970 090	50 107 832

[1] *In the prior year, gross loans and advances and the provision for ECL for the Retail bank segment were presented as a combined view based on a single view of the client. For the current year, a product view has been presented with the single view of the client as a secondary consideration for ECL purposes as presentation by product provides more insight into the risk profiles of the products. Comparatives have been amended to be consistent with the presentation for the current year.*

New loan sales

New loan sales are originated in stage 1 with a subsequent change in staging to year-end reflected under transfers. New loan sales include new loans issued on consolidating pre-existing loans. The loans settled on consolidation are disclosed separately as loans derecognised (other than write-offs).

Income accrued

Income accrued for the year comprises interest received on loans, initiation fees, monthly service fees and credit life premiums.

Notes to the financial statements continued

Year ended 29 February 2024

8. Net loans and advances continued

Retail bank continued

Analysis of gross loans and advances continued

Access facility[1]

R'000	Stage 1	Stage 2	Stage 3	Total
2024				
Balance as at 1 March 2023	16 598 589	4 420 206	3 439 580	24 458 375
Net loan sales	11 316 556	1 189 099	55 847	12 561 502
New loan sales and further drawdowns	12 352 589	1 189 099	55 847	13 597 535
Loans derecognised (other than write-offs)	(1 036 033)	—	—	(1 036 033)
Income accrued for the year	4 958 239	883 068	1 139 729	6 981 036
Transfers				
Stage 1 to stage 2	(2 823 024)	2 823 024	—	—
Stage 1 to stage 3	(3 556 169)	—	3 556 169	—
Stage 2 to stage 3	—	(1 615 432)	1 615 432	—
Stage 3 to stage 2	—	98 737	(98 737)	—
Stage 3 to stage 1	276 768	—	(276 768)	—
Stage 2 to stage 1	1 323 514	(1 323 514)	—	—
Repayments	(12 587 916)	(2 035 854)	(1 372 970)	(15 996 740)
Modifications	—	—	(235 250)	(235 250)
Write-offs	—	—	(1 952 896)	(1 952 896)
Balance as at 29 February 2024	**15 506 557**	**4 439 334**	**5 870 136**	**25 816 027**
2023				
Balance as at 1 March 2022	10 743 748	2 446 746	902 115	14 092 609
Net loan sales[2]	18 591 421	1 181 237	47 852	19 820 510
New loan sales and further drawdowns	20 082 565	1 181 237	47 852	21 311 654
Loans derecognised (other than write-offs)	(1 491 145)	—	—	(1 491 145)
Income accrued for the year	3 941 120	579 414	409 155	4 929 689
Transfers				
Stage 1 to stage 2	(3 155 450)	3 155 450	—	—
Stage 1 to stage 3	(2 575 293)	—	2 575 293	—
Stage 2 to stage 3	—	(657 916)	657 916	—
Stage 3 to stage 2	—	29 796	(29 796)	—
Stage 3 to stage 1	35 507	—	(35 507)	—
Stage 2 to stage 1	668 923	(668 923)	—	—
Repayments	(11 651 387)	(1 645 598)	(419 998)	(13 716 983)
Modifications	—	—	(136 101)	(136 101)
Write-offs	—	—	(531 349)	(531 349)
Balance as at 28 February 2023	**16 598 589**	**4 420 206**	**3 439 580**	**24 458 375**

[1] *In the prior year, gross loans and advances and the provision for ECL for the Retail bank segment were presented as a combined view based on a single view of the client. For the current year, a product view has been presented with the single view of the client as a secondary consideration for ECL purposes as presentation by product provides more insight into the risk profiles of the products. Comparatives have been amended to be consistent with the presentation for the current year.*

[2] *In the prior year, net loan sales were presented in stage 1. This was reassessed due to the presentation of gross loans and advances by product. As a result, drawdowns on facilities in stages 2 and 3 are now presented in the comparatives.*

New loan sales and further drawdowns

Access facility disbursements are included in new loan sales. Amounts are transferred immediately to the staging of the existing balances for drawdowns.

Income accrued

Income accrued for the year comprises interest received, initiation fees and credit life premiums.

Credit card[1]

R'000	Stage 1	Stage 2	Stage 3	Total
2024				
Balance as at 1 March 2023	5 884 980	796 471	1 049 086	7 730 537
Net loan sales	16 071 059	1 038 826	195 624	17 305 509
New loan sales and further drawdowns	16 071 059	1 038 826	195 624	17 305 509
Loans derecognised (other than write-offs)	—	—	—	—
Income accrued for the year	1 826 058	187 599	260 213	2 273 870
Transfers				
Stage 1 to stage 2	(551 471)	551 471	—	—
Stage 1 to stage 3	(773 481)	—	773 481	—
Stage 2 to stage 3	—	(126 802)	126 802	—
Stage 3 to stage 2	—	13 402	(13 402)	—
Stage 3 to stage 1	23 286	—	(23 286)	—
Stage 2 to stage 1	309 769	(309 769)	—	—
Repayments	(15 544 482)	(1 165 267)	(386 229)	(17 095 978)
Modifications	—	—	(24 604)	(24 604)
Write-offs	—	—	(559 502)	(559 502)
Balance as at 29 February 2024	**7 245 718**	**985 931**	**1 398 183**	**9 629 832**
2023				
Balance as at 1 March 2022	4 874 961	979 858	813 962	6 668 781
Net loan sales[2]	12 843 142	523 670	124 087	13 490 899
New loan sales and further drawdowns	12 843 142	523 670	124 087	13 490 899
Loans derecognised (other than write-offs)	—	—	—	—
Income accrued for the year	1 463 543	112 634	172 774	1 748 951
Transfers				
Stage 1 to stage 2	(120 242)	120 242	—	—
Stage 1 to stage 3	(600 250)	—	600 250	—
Stage 2 to stage 3	—	(155 791)	155 791	—
Stage 3 to stage 2	—	12 140	(12 140)	—
Stage 3 to stage 1	21 093	—	(21 093)	—
Stage 2 to stage 1	161 576	(161 576)	—	—
Repayments	(12 758 843)	(634 706)	(321 627)	(13 715 176)
Modifications	—	—	(21 108)	(21 108)
Write-offs	—	—	(441 810)	(441 810)
Balance as at 28 February 2023	**5 884 980**	**796 471**	**1 049 086**	**7 730 537**

[1] *In the prior year, gross loans and advances and the provision for ECL for the Retail bank segment were presented as a combined view based on a single view of the client. For the current year, a product view has been presented with the single view of the client as a secondary consideration for ECL purposes as presentation by product provides more insight into the risk profiles of the products. Comparatives have been amended to be consistent with the presentation for the current year.*

[2] *In the prior year, net loan sales were presented in stage 1. This was reassessed due to the presentation of gross loans and advances by product. As a result, drawdowns on facilities in stages 2 and 3 are now presented in the comparatives.*

New loan sales and further drawdowns

Credit card disbursements are included in new loan sales. Amounts are transferred immediately to the staging of the existing balances for drawdowns.

Income accrued

Income accrued for the year comprises interest received, initiation fees and credit life premiums.

Notes to the financial statements continued

Year ended 29 February 2024

8. Net loans and advances continued

Retail bank continued

Analysis of provision for ECL

Term loans[1]

R'000	Stage 1	Stage 2	Stage 3	Total
2024				
Balance as at 1 March 2023	1 854 723	1 729 577	8 646 052	12 230 352
Movement in the income statement				
New loan sales	1 008 854	950 889	1 817 109	3 776 852
Stage 1 to stage 2	(165 806)	436 126	—	270 320
Stage 1 to stage 3	(359 344)	—	2 326 533	1 967 189
Stage 2 to stage 3	—	(432 555)	970 232	537 677
Stage 2 to stage 1	65 838	(349 184)	—	(283 346)
Stage 3 to stage 1	52 329	—	(261 495)	(209 166)
Stage 3 to stage 2	—	105 460	(204 668)	(99 208)
Remain in same stage	(425 125)	(62 543)	450 975	(36 693)
Loans and advances settled in the current year	(354 193)	(213 173)	(2 006 808)	(2 574 174)
Modifications	—	—	214 170	214 170
Write-offs	(59 448)	(193 519)	(2 387 601)	(2 640 568)
Change in forward-looking information[2]	30 170	(276 102)	(15 754)	(261 686)
Balance as at 29 February 2024	**1 647 998**	**1 694 976**	**9 548 745**	**12 891 719**
2023				
Balance as at 1 March 2022	2 744 750	1 916 374	7 606 981	12 268 105
Movement in the income statement				
New loan sales	1 244 996	937 523	2 321 593	4 504 112
Stage 1 to stage 2	(115 309)	345 748	—	230 439
Stage 1 to stage 3	(263 717)	—	2 079 362	1 815 645
Stage 2 to stage 3	—	(335 169)	807 490	472 321
Stage 2 to stage 1	65 347	(333 131)	—	(267 784)
Stage 3 to stage 1	45 391	—	(220 550)	(175 159)
Stage 3 to stage 2	—	72 024	(154 627)	(82 603)
Remain in same stage	122 530	57 301	(599)	179 232
Loans and advances settled in the current year	(424 307)	(249 325)	(926 854)	(1 600 486)
Modifications	—	—	(390 421)	(390 421)
Write-offs	(40 705)	(131 282)	(2 308 105)	(2 480 092)
Change in forward-looking information[2]	(1 524 253)	(550 486)	(168 218)	(2 242 957)
Balance as at 28 February 2023	1 854 723	1 729 577	8 646 052	12 230 352

[1] In the prior year, gross loans and advances and the provision for ECL for the Retail bank segment were presented as a combined view based on a single view of the client. For the current year, a product view has been presented with the single view of the client as a secondary consideration for ECL purposes as presentation by product provides more insight into the risk profiles of the products. Comparatives have been amended to be consistent with the presentation for the current year.

[2] Changes in forward-looking SICR are detailed in the 'Critical accounting estimates and judgements in applying accounting policies' section in this note.

Movement in the income statement

Movement in the income statement is based on the loan stage at the beginning and end of the year. Where loans were settled or written off during the year, the individual lines in the table have not been grossed up to reflect the movement in the ECL provision during the year up to that point.

Access facility[1]

R'000	Stage 1	Stage 2	Stage 3	Total
2024				
Balance as at 1 March 2023	1 385 293	1 551 359	2 209 876	5 146 528
Movement in the income statement				
New loan sales and further drawdowns	236 296	82 312	156 076	474 684
Stage 1 to stage 2	(161 815)	936 539	—	774 724
Stage 1 to stage 3	(155 871)	—	1 958 893	1 803 022
Stage 2 to stage 3	—	(357 294)	719 385	362 091
Stage 2 to stage 1	121 591	(427 658)	—	(306 067)
Stage 3 to stage 1	22 710	—	(103 345)	(80 635)
Stage 3 to stage 2	—	29 428	(39 956)	(10 528)
Remain in same stage	61 916	59 046	345 010	465 972
Loans and advances settled in the current year	(132 638)	(65 698)	(396 162)	(594 498)
Modifications	—	—	(235 250)	(235 250)
Write-offs	(7 979)	(75 914)	(848 839)	(932 732)
Change in forward-looking information[2]	175 474	(212 637)	26 917	(10 246)
Balance as at 29 February 2024	**1 544 977**	**1 519 483**	**3 792 605**	**6 857 065**
2023				
Balance as at 1 March 2022	1 600 623	927 055	638 083	3 165 761
Movement in the income statement				
New loan sales and further drawdowns	514 808	338 798	420 398	1 274 004
Stage 1 to stage 2	(124 027)	709 933	—	585 906
Stage 1 to stage 3	(107 752)	—	1 143 382	1 035 630
Stage 2 to stage 3	—	(159 437)	381 846	222 409
Stage 2 to stage 1	38 095	(194 722)	—	(156 627)
Stage 3 to stage 1	2 948	—	(21 819)	(18 871)
Stage 3 to stage 2	—	9 354	(18 606)	(9 252)
Remain in same stage	(379 741)	(96 598)	(87 111)	(563 450)
Loans and advances settled in the current year	(135 691)	(54 549)	(13 158)	(203 398)
Modifications	—	—	(74 642)	(74 642)
Write-offs	(7 291)	(16 963)	(158 497)	(182 751)
Change in forward-looking information[2]	(16 679)	88 488	—	71 809
Balance as at 28 February 2023	1 385 293	1 551 359	2 209 876	5 146 528

[1] In the prior year, gross loans and advances and the provision for ECL for the Retail bank segment were presented as a combined view based on a single view of the client. For the current year, a product view has been presented with the single view of the client as a secondary consideration for ECL purposes as presentation by product provides more insight into the risk profiles of the products. Comparatives have been amended to be consistent with the presentation for the current year.

[2] Changes in forward-looking SICR are detailed in the 'Critical accounting estimates and judgements in applying accounting policies' section in this note.

Movement in the income statement

Movement in the income statement is based on the loan stage at the beginning and end of the year. Where loans were settled or written off during the year, the individual lines in the table have not been grossed up to reflect the movement in the ECL provision during the year up to that point.

8. Net loans and advances continued

Retail bank continued

Analysis of provision for ECL continued

Credit card[1]

R'000	Stage 1	Stage 2	Stage 3	Total
2024				
Balance as at 1 March 2023	393 602	256 815	778 401	1 428 818
Movement in the income statement				
New loan sales and further drawdowns	122 738	98 948	60 606	282 292
Stage 1 to stage 2	(30 643)	122 964	—	92 321
Stage 1 to stage 3	(43 595)	—	437 120	393 525
Stage 2 to stage 3	—	(60 308)	141 855	81 547
Stage 2 to stage 1	26 589	(89 134)	—	(62 545)
Stage 3 to stage 1	3 760	—	(17 847)	(14 087)
Stage 3 to stage 2	—	13 591	(13 982)	(391)
Remain in same stage	26 190	10 951	89 893	127 034
Loans and advances settled in the current year	(17 934)	(13 580)	(66 721)	(98 235)
Modifications	—	—	(24 604)	(24 604)
Write-offs	(1 464)	(12 592)	(480 359)	(494 415)
Change in forward-looking information[2]	(67 030)	(32 781)	(1 806)	(101 617)
Balance as at 29 February 2024	**412 213**	**294 874**	**902 556**	**1 609 643**
2023				
Balance as at 1 March 2022	480 419	248 475	613 650	1 342 544
Movement in the income statement				
New loan sales and further drawdowns	64 098	39 672	38 017	141 787
Stage 1 to stage 2	(29 297)	141 825	—	112 528
Stage 1 to stage 3	(29 402)	—	389 681	360 279
Stage 2 to stage 3	—	(34 916)	88 930	54 014
Stage 2 to stage 1	17 169	(44 144)	—	(26 975)
Stage 3 to stage 1	3 302	—	(13 974)	(10 672)
Stage 3 to stage 2	—	11 094	(12 115)	(1 021)
Remain in same stage	(106 644)	(37 808)	(180 681)	(325 133)
Loans and advances settled in the current year	(17 561)	(7 973)	(30 401)	(55 935)
Modifications	—	—	(31 929)	(31 929)
Write-offs	(2 768)	(12 316)	(82 777)	(97 861)
Change in forward-looking information[2]	14 286	(47 094)	—	(32 808)
Balance as at 28 February 2023	393 602	256 815	778 401	1 428 818

[1] *In the prior year, gross loans and advances and the provision for ECL for the Retail bank segment were presented as a combined view based on a single view of the client. For the current year, a product view has been presented with the single view of the client as a secondary consideration for ECL purposes as presentation by product provides more insight into the risk profiles of the products. Comparatives have been amended to be consistent with the presentation for the current year.*

[2] *Changes in forward-looking SICR are detailed in the 'Critical accounting estimates and judgements in applying accounting policies' section in this note.*

Movement in the income statement

Movement in the income statement is based on the loan stage at the beginning and end of the year. Where loans were settled or written off during the year, the individual lines in the table have not been grossed up to reflect the movement in the ECL provision during the year up to that point.

Factors impacting and contributing to significant changes in the ECL during the year

The net credit impairment charge on gross loans and advances increased by 37% to R8.4 billion (2023: R6.1 billion). The credit loss ratio was 10.1% compared to 8.0% for 2023.

For the past 2 years, we have been building a higher-quality loan book that we expect will perform better than the older tranches of business that have migrated through stages 2 and 3 and into default during the 2023 and 2024 financial years.

In November 2021, we relaxed credit granting criteria for certain pockets of clients that had begun showing a recovery after the COVID-19 pandemic. This led to book growth, particularly in the access facility book. Due to the impact of the negative economic conditions after February 2022, when the war in Ukraine began, we started tightening credit granting criteria in June 2022 and continued to do so for the remainder of the 2023 financial year. We adjusted access facility limits down by R3.5 billion during 2023. By the end of February 2023, there had been an increase in clients going into debt review and rolling into arrears and default.

The credit granting criteria for all retail products were tightened further during the 2024 financial year. Income to instalment criteria were made stricter and the average term offered decreased. A number of unique granting changes were made in 2024. Net loan sales and disbursements for 2024 were R48.5 billion, a decrease of 8% compared to 2023 net loan sales of R52.9 billion.

Loan sales by product are detailed in the table below.

R'm	February 2024	February 2023
Term loans	18 592	19 616
Access facilities	12 561	19 821
Credit cards	17 306	13 491
Total	**48 459**	52 928

Access facility disbursements decreased by 37% compared to 2023. Total new limits granted decreased to R5.6 billion from R18.7 billion in 2023. During 2024, the short-term access facilities were discontinued, and the limits of existing facility holders were adjusted downwards by more than R3.0 billion. Cutbacks were also implemented based on stricter affordability criteria. Limits granted for 2024 amounted to R5.6 billion.

Credit card disbursements increased by 28% to R17.3 billion (2023: R13.5 billion) as the lower-risk clients that qualify for credit card limits were not impacted as severely by the stricter credit granting criteria as other clients.

The credit impairment charge for 2024 reflected the continued migration of the pre-June 2022 loan book to stages 2 and 3. The total migration of balances into default for the 2024 financial year amounted to R12.8 billion, with R4.1 billion relating to clients that went into debt review (2023: R3.5 billion). The remaining roll into default of R8.7 billion comprises balances that are subject to collection activities and do not meet the write-off requirements (2023: R7.0 billion).

Our monitoring data indicates that the tranches of loan sales after June 2022 are performing better than the pre-June 2022 tranches.

The forward-looking macroeconomic information provision decreased by R373 million because of a higher backward-looking provision and a more positive outlook on the economy going forward. To capture the effects of changes to the economic environment in the future, the forward-looking model for Retail bank considers economic variables specific to South Africa that directly impact the group's clients. 3 forward-looking scenarios supplied by the Bureau for Economic Research are incorporated into the range of reasonably possible outcomes (negative, positive and baseline scenarios). Based on these scenarios, the forward-looking macroeconomic provision requirement decreased from R753 million in 2023 to R380 million in 2024.

8. Net loans and advances continued

Retail bank continued

Factors impacting and contributing to significant changes in the ECL during the year continued

The Retail bank's gross loans and advances increased by 2% to R83.8 billion (2023: R82.3 billion) and the provision for ECL grew from R18.8 billion to R21.4 billion.

The trend in the composition of the loan book in the table that follows illustrates the incremental impact of the macroeconomy and the decrease in loan disbursements on the gross loan book.

	As at the end of	
%	February 2024	February 2023
Stage 1	58	62
Stage 2	15	15
Stage 3	27	23

The stage 3 loan book grew by R3.9 billion to R22.3 billion at the end of February 2024 (2023: R18.5 billion). Arrears contributed R223 million to the growth, up-to-date reschedules that have not rehabilitated contributed R717 million and the default book contributed R2.7 billion. The default book at the end of February 2024 comprised R6.0 billion in debt review balances and R10.5 billion in balances more than 3 months in arrears or with other legal statuses which do not qualify for write-off. A total of R2.1 billion was collected on these balances in default during the financial year (2023: R1.7 billion).

The stage 2 loan book decreased from R13.5 billion at the end of the 2023 financial year to R12.9 billion primarily because balances migrated to stage 3 but also because the migration from stage 1 to stage 2 slowed during H2 2024.

The coverage ratios by stage are analysed in the table below.

	As at the end of	
%	February 2024	February 2023
Stage 1	7.4	7.2
Stage 2	27.1	26.2
Stage 3	63.8	63.0
Total	25.5	22.9

The total coverage ratio increased from 22.9% at the end of February 2023 to 25.5% at the end of February 2024.

The change in book distribution and provision percentages by loan book category increased the coverage ratio by 3.5%. The provision percentages applied to the loan book categories also increased in 2024 because the probabilities of default used in the calculations are at their highest level in the cycle. Model refinements to backward-looking models decreased the coverage ratio by 0.5%. The recovery given default model was updated and now utilises historical data for a longer period. Changes to the access facility model were implemented because the product has matured, and more data is now available. The credit card model was amended to use only credit card data now that sufficient data is available. The more positive forward-looking macroeconomic information decreased the ratio by 0.4%.

The overall coverage of the term loan book increased from 24.4% for 2023 to 26.6% for 2024. The coverage of up-to-date loans with SICR since initial recognition increased from 16.9% to 19.0% due to the deterioration of the loan book. The more than 3 months in arrears, legal statuses and applied for debt review less than 6 months ago loan category coverage increased from 72.2% to 74.2%. The increase was attributable to deterioration in the default book quality, specifically driven by a higher distribution towards the book held back and not handed over which has a lower yield than the debt review book but a higher yield than the book handed over to external debt collectors. Refinement of the backward-looking model resulted in an additional provision of R129 million.

The overall coverage of the access facility book increased from 21.0% to 26.6%. This increase was mainly due to book deterioration. As the access facility matures more data becomes available for use in the ECL model and in 2024 this enabled us to refine the model.

The overall credit card coverage ratio decreased from 18.5% to 16.7%. In 2024, we had enough credit card data available to create a credit card-specific recoveries model. Credit card recoveries show better performance and therefore this resulted in a decrease in the coverage ratios for all credit card product loan book categories. The decreases were partially offset by increases in the coverage ratios due to deterioration in the quality of the book.

The forward-looking SICR balances that form part of the stage 2 up-to-date loans with SICR were negative for all products by a total amount of R505 million. This is because the balances included in backward-looking SICR are expected to decrease during the coming 12 months based on the macroeconomic forecast used to calculate the forward-looking macroeconomic information provision.

Critical accounting estimates and judgements in applying accounting policies

The preparation of the group's annual financial statements requires management to make estimates that affect the amounts reported in the annual financial statements and accompanying notes. Management applies their judgement based on historical evidence, current events and actions that may be undertaken in future. Actual results may ultimately differ from estimates.

The measurement of the loss allowance for ECL on loans and advances is one of the most material assumptions, estimates and judgements applied in preparing the consolidated annual financial statements.

Judgements

Significant increase in credit risk (SICR)

In terms of IFRS 9, all loans and advances exposures that are up-to-date are assessed at each reporting date to determine whether there has been a SICR since initial recognition of the instrument, in which case an impairment equal to the lifetime ECL is recognised. If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the group recognises a 12-month ECL.

The group identifies SICR for clients who are up-to-date on their credit product but who have reached certain behaviour risk thresholds or where specific events have occurred that automatically trigger a SICR.

The group considers reasonable and supportable information based on the group's historical experience, credit risk assessment and forward-looking information (including macroeconomic factors) when determining whether the credit risk (i.e. the risk of default) of loans and advances has increased significantly since initial recognition. The assessment of SICR is key in determining when to move from measuring an impairment provision based on a 12-month ECL to one that is based on a lifetime ECL (the move from stage 1 to stage 2).

The group uses behaviour score thresholds to identify a SICR. If a client's behaviour score reduced to such an extent that it breaches the predetermined threshold, the client will be placed in SICR. The SICR thresholds are reviewed monthly to ensure that they are able to identify SICR throughout the lifetime of the credit product.

8. Net loans and advances continued

Retail bank continued

Critical accounting estimates and judgements in applying accounting policies continued

Judgements continued

Significant increase in credit risk (SICR) continued

The purpose of the behaviour score in the ECL model is to determine homogenous risk segments used to estimate a client's default risk. Separate scorecards are used for the different products, each utilising Capitec product-specific behaviour and savings account information as well as the credit exposure and repayment behaviour at external credit providers. The behaviour score is updated monthly on all existing credit clients to ensure that Capitec has a consistently updated view of the client.

The volume of up-to-date accounts that rolled into stage 3 based on historical trends is considered in determining the empirical SICR requirement. This is then adjusted by considering future default rates based on forward-looking information (including macroeconomic factors).

Sensitivity analysis

The analysis below reflects the stage 2 ECL on up-to-date loans with SICR and applied for debt review more than 6 months ago if the deterioration or improvement in the factor used as a behavioural or granting score threshold is stressed by 5%.

For categories of SICR, other than forward-looking SICR, the sensitivity analysis is as follows:

Impact of SICR on ECL	Positive	Base	Negative
2024			
Shifting of the SICR threshold by 5% (R'm)	**2 526**	**2 779**	**3 099**
Percentage on total SICR ECL (%)	**(7.6)**	**—**	**13.2**
2023			
Shifting of the SICR threshold by 5% (R'm)	2 065	2 219	2 437
Percentage on total SICR ECL (%)	(6.9)	—	9.9

The sensitivity analysis of 'forward-looking SICR' is included in the 'forward-looking information incorporated in the impairment of loans and advances' section below.

Estimates

Forward-looking information incorporated in the impairment of loans and advances

It is a fundamental principle of IFRS 9 that the group's loss allowance for ECL against potential future losses should take into account changes in the economic environment in the future. Forward-looking information has been incorporated in measuring the loss allowance for ECL through the application of quantitative modelling and expert judgement-based adjustments.

To capture the effects of changes to the economic environment in the future, the forward-looking model for Retail bank considers economic variables specific to South Africa that directly impact the group's clients. 3 forward-looking scenarios are incorporated into the range of reasonably possible outcomes (negative, positive and baseline scenarios).

The methodology for incorporating the forward-looking information has not changed from the prior year except for changes to the inputs and the probabilities assigned to the economic scenarios used, as well as increased granularity in the modelling, by separately correlating forward-looking macroeconomic information across 14 segments.

The BER provided management with a set of forward-looking macroeconomic scenarios (baseline, positive and negative) and associated probabilities covering a planning horizon of 5 years in January 2024. The ALCO reviewed and approved the BER's forward-looking macroeconomic outlook. The scenarios are linked to PDs to derive a forward-looking ECL per segment.

The main considerations of the BER in setting the scenarios are outlined below. These then impact the forecast macroeconomic variables.

- The economic growth outlook of South Africa's major trading partners and the impact it has on the demand for South Africa's exports of goods and services to these markets
- Looming domestic risks resulting in a slowdown of gross domestic product (GDP) growth, including increased and prolonged levels of load shedding and persistent bottlenecks in the logistics sector.

The probability weightings for the 12-month forecast period, which drives the majority of the forward-looking information impact, for each of the scenarios, as set out in the following table, were accepted by management.

Scenario probability	2024	2023
Baseline (%)	**54**	53
Negative (%)	**21**	24
Positive (%)	**25**	23

The relevance of the outlook to Capitec's loan book is proven by a historical linear relationship to a change in a basket of macroeconomic variables. These variables, which were increased in the current year following the expansion of the segmentation of the forward-looking macroeconomic model, are:

	2023			2024			2025		
Macroeconomic variable	**Bad**	**Baseline**	**Good**	**Bad**	**Baseline**	**Good**	**Bad**	**Baseline**	**Good**
2024									
Unemployment rate (%)	**32.26**	**32.25**	**32.25**	**31.97**	**31.62**	**31.03**	**31.64**	**31.30**	**30.10**
Headline inflation Consumer Price Index (CPI)[(1)]	**5.94**	**5.92**	**5.91**	**6.61**	**4.99**	**4.76**	**4.69**	**4.56**	**4.22**
Petrol price cents per litre[(1)]	**2.08**	**1.88**	**1.86**	**16.21**	**(0.21)**	**(1.14)**	**(5.61)**	**(1.03)**	**(1.19)**
CPI: Electricity[(1)]	**11.62**	**11.62**	**11.62**	**14.32**	**14.32**	**14.32**	**12.93**	**12.93**	**10.65**
CPI: Petrol[(1)]	**1.31**	**1.11**	**1.09**	**18.51**	**2.03**	**1.11**	**(5.62)**	**(1.03)**	**(1.19)**
Real private sector credit extension[(1)]	**0.05**	**0.09**	**0.09**	**(1.49)**	**(0.02)**	**0.65**	**0.72**	**1.87**	**3.56**
Real private sector credit extension to households[(1)]	**0.02**	**0.05**	**0.05**	**(1.37)**	**(1.14)**	**(0.75)**	**(0.63)**	**0.91**	**2.25**
Real GDP[(1)]	**0.51**	**0.56**	**0.57**	**0.63**	**1.54**	**2.74**	**2.52**	**2.16**	**3.97**
Total employment[(1)]	**6.12**	**6.14**	**6.14**	**1.96**	**2.49**	**3.01**	**1.69**	**1.67**	**2.47**
Real disposable income[(1)]	**(0.35)**	**(0.31)**	**(0.31)**	**0.31**	**1.25**	**1.91**	**2.20**	**2.05**	**3.08**
Real wage rate[(1)]	**(7.34)**	**(7.31)**	**(7.31)**	**(0.92)**	**(0.52)**	**0.13**	**1.55**	**1.28**	**2.41**
Repo rate (%)	**7.93**	**7.91**	**7.91**	**8.73**	**8.00**	**7.83**	**7.67**	**7.02**	**6.96**

[(1)] *Year-on-year percentage change, unless otherwise stated.*

	2022			2023			2024		
Macroeconomic variable	**Bad**	**Baseline**	**Good**	**Bad**	**Baseline**	**Good**	**Bad**	**Baseline**	**Good**
2023									
Unemployment rate (%)	33.55	33.52	33.49	32.98	32.31	31.76	33.08	31.57	30.31
Real GDP[(1)]	2.32	2.33	2.33	(0.55)	0.46	1.24	(0.46)	1.44	2.50
Repo rate (%)	5.09	5.09	5.09	7.43	7.43	7.43	7.50	7.15	7.15
Real wage rate[(1)]	(5.07)	(5.06)	(5.08)	1.35	0.07	(0.02)	0.86	0.67	0.62
Real disposable income[(1)]	2.34	2.34	2.35	0.89	1.95	2.74	0.68	2.01	2.98
Real private sector credit extension[(1)]	1.87	1.87	1.87	0.58	0.99	1.33	(1.34)	0.39	1.13
Petrol[(1)]	31.58	31.57	31.53	(0.43)	(0.26)	(1.53)	(2.06)	(1.69)	(2.29)
Unemployment[(1)]	(2.03)	(2.13)	(2.21)	(1.67)	(3.56)	(5.15)	0.30	(2.29)	(4.55)

[(1)] *Year-on-year percentage change, unless otherwise stated.*

8. Net loans and advances continued

Retail bank continued

Critical accounting estimates and judgements in applying accounting policies continued

Estimates continued

Impact of forward-looking information on ECL – 2024

The risk segmentation of the forward-looking macroeconomic model was expanded to use the most appropriate macroeconomic variables. The variables are correlated to determine the impact of forward-looking macroeconomic information on the ECL for loans, access facilities and credit cards grouped into 14 internally developed client behaviour score segments. Macroeconomic variables are correlated with historical client default data per risk segment. This relationship is used to determine the impact of forward-looking macroeconomic information on expected default rates and the ECL is adjusted accordingly.

The correlation included the selection of the most appropriate macroeconomic variables per segment including the related delay (lags). Based on the segmentation, management determined a range of PD values for each of the 14 risk segments that would be impacted by a change in specific macroeconomic variables under each of the 3 scenarios (baseline, negative, positive).

Macroeconomic variables relating to changes in CPI, the petrol price, unemployment and the absolute repo rate were seen to be important variables across most segments.

The macroeconomic variables used in the current year are based on the BER economic outlook for all 3 scenarios, baseline, negative and positive, and no management overrides were performed.

Impact of forward-looking information on ECL – 2023

The impact of the geopolitical tension that arose during the 2022 financial year continued during the current year. The risk segmentation of the forward-looking macroeconomic model was expanded to use the most appropriate macroeconomic variables. These are correlated to determine the impact of forward-looking macroeconomic information on the ECL for loans grouped into 12 internally developed client behaviour score segments.

The correlation included the selection of the most appropriate macroeconomic variables per segment as well as the related delay (lags) per segment per economic variable between changes in the economic variables and the forecast changes in defaults.

Macroeconomic variables relating to changes in the petrol price, unemployment, the real wage rate and the absolute repo rate were seen to be more appropriate for clients in higher risk segments.

This ensures that the relationships between the movements in the macroeconomic variables utilised by behaviour score band and default rates hold true under reigning and historical macroeconomic conditions. Based on the refined segmentation, management determined a range of PD values per the 12 particular risk segments that would be impacted by a change in specific macroeconomic variables.

Management was not required to apply stress to any of the macroeconomic variables as the BER was able to provide an updated economic outlook to management that was applicable as at 28 February 2023.

The impact of forward-looking information on the ECL based on the 3 scenarios is reflected below.

Impact of forward-looking information on ECL	R'm	Percentage (%) change
2024		
Probability-weighted impact on all 3 scenarios	**380**	
100% negative	**670**	**76.4**
100% baseline	**321**	**(15.5)**
100% positive	**261**	**(31.3)**
2023		
Probability-weighted impact on all 3 scenarios	753	
100% negative	886	17.7
100% baseline	758	0.7
100% positive	603	(19.9)

The decrease in the total forward-looking component of ECL, as set out in the table above, is reflective of the relative stabilisation of the macroeconomic variables compared to the prior year. In the prior year, macroeconomic variables were forecast to weaken. This materialised in the current year in increased credit losses as well as increased balances with SICR since initial recognition.

Event-driven management credit estimates

Certain events/risks that may not be incorporated into the statistical forward-looking model arise from time to time. In such instances, the additional inclusions in the ECL over and above the adjustment to ECL arising from forward-looking information are reviewed and approved by the credit committee monthly.

In the current and comparative years, an amount was added to the ECL to consider the impact on ECL of a change in the retrenchment cover. The retrenchment insurance changed from covering the full outstanding balance to covering 24 instalments for new loans originated from 10 May 2020.

Modelling assumptions

Historical data may not always be reflective of the future. The way in which it is used by the statistical models (PD, EAD and LGD) to estimate the timing and amount of the forecast cash flows, based on historical default data, roll rates and recoveries, requires consideration of subsegments.

These include aspects such as client risk groups, time on book, product term, payment frequency, default statuses, employment, industry and rescheduling status as well as the behaviour score of the client.

Business bank

Credit risk exposure

The Business bank offers a spread of business banking products common to the banking industry. The core market focus is established small- to medium-sized businesses across a wide variety of industries as well as personal banking to the respective entrepreneurs. A group subsidiary, Capitec Rental Finance, provides rental finance solutions with its core focus being the office automation, telecommunications and information technology (IT) sectors.

Notes to the financial statements continued

Year ended 29 February 2024

8. Net loans and advances continued

Business bank continued

Credit risk exposure continued

Gross loans and advances exposures by economic sector are as follows:

R'000	2024	2023
Business		
Real estate	**4 141 150**	3 640 364
Manufacturing and logistics	**1 256 179**	1 196 848
Retail and wholesale	**5 042 357**	3 558 159
Financial and business	**3 561 529**	2 581 497
Construction and transport	**1 741 120**	1 504 054
Mining and agricultural	**388 795**	462 297
Education and community	**2 789 242**	2 429 933
Other	**223 671**	144 575
Gross loans and advances	**19 144 043**	15 517 727

Credit risk management

Credit risk is managed through every stage of the credit life cycle by following a combination of governance, decision support and business support. Dependent on the risk profile of the client across all portfolios of the Business bank, the risk inherent in the product offering and the track record and payment history of the client, varying types and levels of security are taken to mitigate credit-related risks.

The group adopts a measured approach to credit granting for its Business bank clients, within a specifically defined and structured approval process. The granting of credit is managed via a mandated approval process automated on the bank's workflow system. Levels of credit approval mandates are determined by the experience of the mandated individual, with dual or multiple sign-off on all material values. Mandates have also been accorded to frontline management within predetermined rules and parameters as approved by the RCMC, which approvals are evaluated and monitored by the BCC on an ongoing basis.

An ongoing weekly review is undertaken by the BCC of all new and renewal proposals for lending in excess of R2 million (in aggregate per client). This meeting covers a wide variety of topics, including reporting on excess and arrear positions, security-related matters, possible changes in risk grades, the bank's advances portfolio composition and performance and any other relevant credit-related matters requiring specific mention or discussion. Adverse behavioural patterns, such as continual excesses above approved limits and arrears on loan facilities, are monitored closely by the credit department and are discussed at the weekly BCC meeting with appropriate actions being taken.

Identified accounts with continued behavioural concerns and/or financial underperformance are monitored by way of monthly 'watch list' meetings and reporting. To protect the group, prompt action is taken by senior internal stakeholders, including the executive: Business bank, on large defaults. This action has seen a good measure of historical success given our flat structure that drives agility.

Collateral and other credit enhancements

The group employs a range of policies and practices to mitigate credit risk for its Business bank clients. The most common of these is accepting collateral for funds advanced. The group has internal policies on the acceptability of specific classes of collateral or credit risk mitigation. The Business bank prepares a valuation of the collateral obtained as part of the loan origination process and this assessment is reviewed periodically. The principal collateral types for loans and advances are:

- mortgages over residential and commercial properties
- pledge and cession over business assets, such as stock and accounts receivable
- pledge and cession over financial instruments, such as pledge of call and savings accounts, fixed and notice deposits.

Longer-term finance and lending to small- to medium-sized businesses are generally secured, while credit card facilities are generally unsecured. The Business bank's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Business bank since the acquisition date.

A portion of the Business bank's financial assets originated by the mortgage business has sufficiently low loan-to- value ratios. The loss allowance would be reduced as a result of holding collateral.

The Business bank closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the bank will take possession of collateral to mitigate potential credit losses.

Analysis of net loans and advances by stage

The tables that follow contain an analysis of the credit risk exposure of loans and advances for which an ECL allowance is recognised. The gross carrying amount of the financial assets below also represents the group's maximum exposure to credit risk on these assets.

Business loans

	Stage 1 12-month ECL		Stage 2 Lifetime ECL				Stage 3 Lifetime ECL	
R'000	Up-to-date	Up to 1 month in arrears	Up-to-date loans SICR[1]	2 and 3 months in arrears	Rescheduled from up-to-date (not yet rehabilitated)	Rescheduled from arrears (not yet rehabilitated)	More than 3 months in arrears, legal statuses and applied for business rescue liquidations	Total
2024								
Gross loans and advances	**8 060 991**	**79 123**	**395 543**	**66 746**	**236 653**	**8 521**	**682 548**	**9 530 125**
Provision for credit impairments (ECL)	**(215 805)**	**(2 458)**	**(106 495)**	**(14 827)**	**(13 296)**	**(2 069)**	**(438 403)**	**(793 353)**
Net loans and advances	**7 845 186**	**76 665**	**289 048**	**51 919**	**223 357**	**6 452**	**244 145**	**8 736 772**
ECL coverage by category (%)	**2.7**	**3.1**	**26.9**	**22.2**	**5.6**	**24.3**	**64.2**	**8.3**
ECL coverage by stage (%)								
Stage 1	**2.7**							
Stage 2	**19.3**							
Stage 3	**64.2**							
2023								
Gross loans and advances	6 142 780	82 181	362 060	39 448	312 788	27 298	496 330	7 462 885
Provision for credit impairments (ECL)	(196 332)	(2 493)	(105 160)	(17 404)	(14 511)	(6 454)	(291 059)	(633 413)
Net loans and advances	5 946 448	79 688	256 900	22 044	298 277	20 844	205 271	6 829 472
ECL coverage by category (%)	3.2	3.0	29.0	44.1	4.6	23.6	58.6	8.5
ECL coverage by stage (%)								
Stage 1	3.2							
Stage 2	19.4							
Stage 3	58.6							

[1] *The forward-looking SICR amounts that were reflected as a separate column in the prior year financial statements have been included in the up-to-date loans with SICR column due to the change in economic conditions. The forward-looking SICR column provided additional granularity that was required to explain the SICR figures during the COVID-19 pandemic and subsequent periods. In the current year, forward-looking SICR balances are no longer a significant component per product to warrant separate disclosure in this note (the impact of the change in forward-looking information on the ECL can still be noted in the 'Analysis of provision for ECL'). The comparatives have been amended for the updated presentation.*

Notes to the financial statements continued

Year ended 29 February 2024

8. Net loans and advances continued

Business bank continued

Analysis of net loans and advances by stage continued

Business loans continued

Analysis of up-to-date loans and advances in stage 1

R'000	2024	2023
Stage 1 – Up-to-date		
Up-to-date not previously rescheduled	**8 049 916**	6 142 780
Rescheduled from up-to-date and rehabilitated	**593**	—
Rescheduled from arrears and rehabilitated	**10 482**	—
Gross loans and advances – Stage 1	**8 060 991**	6 142 780

Mortgage loans

R'000	Stage 1 12-month ECL: Up-to-date	Stage 1 12-month ECL: Up to 1 month in arrears	Stage 2 Lifetime ECL: Up-to-date loans SICR[(1)]	Stage 2 Lifetime ECL: 2 and 3 months in arrears	Stage 2 Lifetime ECL: Rescheduled from up-to-date (not yet rehabilitated)	Stage 2 Lifetime ECL: Rescheduled from arrears (not yet rehabilitated)	Stage 3 Lifetime ECL: More than 3 months in arrears, legal statuses and applied for business rescue liquidations	Total
2024								
Gross loans and advances	**8 091 955**	**104 239**	**439 498**	**107 179**	**53 689**	**68 038**	**749 320**	**9 613 918**
Provision for credit impairments (ECL)	**(43 986)**	**(1 897)**	**(31 545)**	**(8 799)**	**(3 613)**	**(4 640)**	**(192 496)**	**(286 976)**
Net loans and advances	**8 047 969**	**102 342**	**407 953**	**98 380**	**50 076**	**63 398**	**556 824**	**9 326 942**
ECL coverage by category (%)	**0.5**	**1.8**	**7.2**	**8.2**	**6.7**	**6.8**	**25.7**	**3.0**
ECL coverage by stage (%)								
Stage 1	**0.6**							
Stage 2	**7.3**							
Stage 3	**25.7**							
2023								
Gross loans and advances	6 900 551	51 579	315 688	50 063	33 681	71 451	631 829	8 054 842
Provision for credit impairments (ECL)	(29 132)	(302)	(22 161)	(3 734)	(2 668)	(5 055)	(144 505)	(207 557)
Net loans and advances	6 871 419	51 277	293 527	46 329	31 013	66 396	487 324	7 847 285
ECL coverage by category (%)	0.4	0.6	7.0	7.5	7.9	7.1	22.9	2.6
ECL coverage by stage (%)								
Stage 1	0.4							
Stage 2	7.1							
Stage 3	22.9							

[(1)] *The forward-looking SICR amounts that were reflected as a separate column in the prior year financial statements have been included in the up-to-date loans with SICR column due to the change in economic conditions. The forward-looking SICR column provided additional granularity that was required to explain the SICR figures during the COVID-19 pandemic and subsequent periods. In the current year, forward-looking SICR balances are no longer a significant component per product to warrant separate disclosure in this note (the impact of the change in forward-looking information on the ECL can still be noted in the 'Analysis of provision for ECL'). The comparatives have been amended for the updated presentation.*

Analysis of up-to-date loans and advances in stage 1

R'000	2024	2023
Stage 1 – Up-to-date		
Up-to-date not previously rescheduled	**8 072 930**	6 715 818
Rescheduled from up-to-date and rehabilitated	**10 564**	—
Rescheduled from arrears and rehabilitated	**2 321**	43 493
Rehabilitated COVID-19 reschedules	**6 140**	141 240
Gross loans and advances – Stage 1	**8 091 955**	6 900 551

Definition of stages

Stage 1

These are loans and advances which are up-to-date or up to 1 month in arrears with no indication of SICR. This includes distressed restructured loans that have rehabilitated.

An ECL representing the lifetime cash shortfall arising from possible default events up to 12 months into the future from the reporting date is recognised at the time of initial recognition of the financial debt instruments.

An ECL continues to be determined on this basis until there is a SICR or the financial debt instrument becomes credit-impaired.

A cash shortfall is the difference between the cash flows that are due in accordance with the contractual terms of the financial debt instrument and the cash flows that the group expects to receive over the contractual life of the financial debt instrument.

Stage 2

The group monitors financial debt instruments subject to the impairment requirements at each reporting date to determine whether evidence exists that there has been a SICR since initial recognition of the financial instrument. The 12-month ECL is extended to a lifetime ECL for these clients.

The following loans and advances are included in stage 2:

- Loans that have experienced a SICR since initial recognition
- Loans where the forward-looking information indicates SICR
- Loans that are between 2 and 3 months in arrears
- Up-to-date loans that restructured from up-to-date (not yet rehabilitated)
- Up-to-date loans that restructured from arrears (not yet rehabilitated).

The Business bank segment considers a loan to have experienced a SICR if the borrower is on the watch list or meets 1 or more of the following criteria:

- Significant adverse changes in the business, financial or economic conditions in which the borrower operates
- Actual or expected forbearance or restructuring
- An actual or expected significant adverse change in the operating results of the borrower
- Early signs of cash flow/liquidity problems such as a delay in the servicing of trade creditors/loans.

Irrespective of the outcome of the assessment according to the previous criteria, the Business bank considers a loan to have experienced a SICR if the borrower is more than 1 month past due on their contractual payments.

Notes to the financial statements continued

Year ended 29 February 2024

8. Net loans and advances continued

Business bank continued

Analysis of net loans and advances by stage continued

Definition of stages continued

Stage 3 (credit-impaired assets)

The group defines loans and advances as being credit-impaired when 1 or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Interest on loans and advances categorised as stage 3 is recognised in the income statement net of ECL impairments. A lifetime ECL is applied to stage 3 (credit-impaired) loans.

A financial instrument is defined as being in default, which is aligned to the definition of credit-impaired, when it meets 1 or more of the following criteria:

Quantitative criteria

The borrower is more than 3 months past due on contractual payments.

The borrower meets 'unlikeliness to pay' criteria, which indicate that the borrower is in significant financial difficulty. These are instances where, *inter alia*:

- the borrower is in long-term forbearance
- the borrower is deceased
- the borrower is insolvent
- the borrower is in breach of financial covenant(s)
- an active market for the financial assets has disappeared because of financial difficulty/inability to meet contractual obligations and the borrower is in arrears
- it is becoming probable that the borrower may enter bankruptcy.

Implementation of the ECL measurement

The extent of the ECL allowance for financial assets measured at amortised cost is calculated using complex models and significant assumptions about future economic conditions and credit behaviour.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure. These 3 components are multiplied and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month).

This effectively calculates an ECL for each future month, which is then discounted to the reporting date. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The portfolios are based on product type. The product types include mortgage loans, current accounts, credit cards, instalment sales and leases, structured loans and medium-term loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type:

- For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis
- For revolving products, the EAD is predicted by adding a 'credit conversion factor' to the current drawn balance, which allows for the expected drawdown of the remaining limit by the time of default.

The 12-month and lifetime LGDs are determined based on the factors that impact the recoveries made post default:

- For secured products, this is primarily based on collateral type, projected collateral values and time to recovery
- For unsecured products, LGDs are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers.

The assumptions underlying the ECL calculation, such as how the maturity profile of the PDs changes, are monitored and reviewed periodically.

The current risk assessment framework for the Business bank includes stringent credit risk assessments that are performed during the lifetime of the exposures and it is believed that these will incorporate enough forward-looking assessment. Additional ECLs are recognised by way of a management overlay after significant expert consultation with executive management and seasoned credit professionals.

Credit quality

The group adapted its internal credit rating policy to the Basel PD master scale as required by Basel III. The Basel PD master scale is a list of prescribed risk grades which classify a borrower based on their PD. The mapping process is comprehensive and allows the group to rate all borrowers on a uniform scale regardless of the product. Since all borrowers are represented on a uniform scale, it enables the group to compare various portfolios consistently and accurately.

The Capitec PD master scale ranges from Capitec Bank (CB) bands 1 – 25 depending on the product and reporting segment. Borrower PDs are determined at each reporting date and mapped to the Capitec PD master scale.

The lower the CB band, the lower the PD and the higher the probability of the borrower meeting their financial obligations. Conversely, the higher the CB band, the higher the probability that the borrower will default and not be able to meet their financial obligations.

The CB bands per product and risk-based scorecards used in the Capitec PD master scale are by reporting segment and presented based on reporting date CB bands.

Material product groups	Capitec PD master rating scale	Scorecard
Business bank portfolio	CB1 – 25	Business bank client level behaviour score

Notes to the financial statements continued

Year ended 29 February 2024

8. Net loans and advances continued

Business bank continued

Credit quality continued

Business loans[(1)]

R'000	Stage 1	Stage 2	Stage 3	Total
2024				
CB1 – 11	467 597	—	—	467 597
CB12	349 904	—	—	349 904
CB13	491 302	—	—	491 302
CB14	550 521	—	—	550 521
CB15	1 380 677	—	—	1 380 677
CB16	900 473	—	—	900 473
CB17	759 126	—	—	759 126
CB18	2 187 491	—	—	2 187 491
CB19	360 062	—	—	360 062
CB20	233 148	—	—	233 148
CB21	204 916	—	—	204 916
CB22	160 824	—	—	160 824
CB23	42 320	666 930	—	709 250
CB24	21 636	—	—	21 636
CB25	30 117	40 533	—	70 650
Default	—	—	682 548	682 548
On-balance sheet	**8 140 114**	**707 463**	**682 548**	**9 530 125**
CB1 – 11	602 961	—	—	602 961
CB12	1 234	—	—	1 234
CB13	17 760	—	—	17 760
CB14	157 062	—	—	157 062
CB15	75 411	—	—	75 411
CB16	26 559	—	—	26 559
CB17	5 328	—	—	5 328
CB18	1 911	—	—	1 911
CB19	768	—	—	768
CB20	588	—	—	588
CB21	4	—	—	4
CB22	897	—	—	897
CB23	4 142	1 238	—	5 380
CB24	—	—	—	—
CB25	—	—	—	—
Default	—	—	9 032	9 032
Off-balance sheet	**894 625**	**1 238**	**9 032**	**904 895**

[(1)] *In the prior year, within the Credit quality – Business bank disclosures, Capitec bucketed gross loans and advances based on high risk, medium risk and low risk which were subjectively determined by bucketing accounts by behavioural scores at the reporting date. In the current year, gross loans and advances have been bucketed using the Capitec PD master scale. In the prior year, stage 1 on-balance sheet exposures presented amounted to Rnil for high risk, R0.4 billion for medium risk and R5.9 billion for low risk and off-balance sheet exposure presented amounted to Rnil for high risk, R0.02 billion for medium risk and R0.8 billion for low risk. In the prior year, stage 2 on-balance sheet exposures presented amounted to R0.4 billion for high risk, R0.1 billion for medium risk and R0.2 billion for low risk and off-balance sheet exposure presented amounted to Rnil for high risk, R0.01 billion for medium risk and R0.04 billion for low risk. In the prior year, stage 3 on-balance sheet exposures presented amounted to R0.5 billion for high risk, Rnil for medium risk and Rnil for low risk and off-balance sheet exposures presented amounted to R0.01 billion for high risk, Rnil for medium risk and Rnil for low risk.*

R'000	Stage 1	Stage 2	Stage 3	Total
2023				
CB1 – 11	—	—	—	—
CB12	300 465	—	—	300 465
CB13	593 807	—	—	593 807
CB14	—	—	—	—
CB15	—	—	—	—
CB16	2 167 557	—	—	2 167 557
CB17	—	—	—	—
CB18	2 147 218	—	—	2 147 218
CB19	—	—	—	—
CB20	778 720	—	—	778 720
CB21	152 788	—	—	152 788
CB22	—	288 338	—	288 338
CB23	84 406	416 593	—	500 999
CB24	—	—	—	—
CB25	—	36 663	—	36 663
Default	—	—	496 330	496 330
On-balance sheet	6 224 961	741 594	496 330	7 462 885
CB1 – 11	535 080	7 193	—	542 273
CB12	1 111	—	—	1 111
CB13	26 471	—	—	26 471
CB14	156 565	—	—	156 565
CB15	55 421	40 000	—	95 421
CB16	12 455	—	—	12 455
CB17	4 380	—	—	4 380
CB18	1 964	—	—	1 964
CB19	768	—	—	768
CB20	503	—	—	503
CB21	4	—	—	4
CB22	897	—	—	897
CB23	2 942	1 251	—	4 193
CB24	—	—	—	—
CB25	—	—	—	—
Default	—	—	10 277	10 277
Off-balance sheet	798 561	48 444	10 277	857 282

[(1)] *In the prior year, within the Credit quality – Business bank disclosures, Capitec bucketed gross loans and advances based on high risk, medium risk and low risk which were subjectively determined by bucketing accounts by behavioural scores at the reporting date. In the current year, gross loans and advances have been bucketed using the Capitec PD master scale. In the prior year, stage 1 on-balance sheet exposures presented amounted to Rnil for high risk, R0.4 billion for medium risk and R5.9 billion for low risk and off-balance sheet exposure presented amounted to Rnil for high risk, R0.02 billion for medium risk and R0.8 billion for low risk. In the prior year, stage 2 on-balance sheet exposures presented amounted to R0.4 billion for high risk, R0.1 billion for medium risk and R0.2 billion for low risk and off-balance sheet exposure presented amounted to Rnil for high risk, R0.01 billion for medium risk and R0.04 billion for low risk. In the prior year, stage 3 on-balance sheet exposures presented amounted to R0.5 billion for high risk, Rnil for medium risk and Rnil for low risk and off-balance sheet exposures presented amounted to R0.01 billion for high risk, Rnil for medium risk and Rnil for low risk.*

Notes to the financial statements continued

Year ended 29 February 2024

8. Net loans and advances continued

Business bank continued

Credit quality continued

Mortgage loans[1]

R'000	Stage 1	Stage 2	Stage 3	Total
2024				
CB1 – 11	602 096	–	–	602 096
CB12	735 780	–	–	735 780
CB13	567 831	–	–	567 831
CB14	1 740 157	–	–	1 740 157
CB15	2 050 151	–	–	2 050 151
CB16	698 867	–	–	698 867
CB17	419 667	–	–	419 667
CB18	198 873	–	–	198 873
CB19	190 934	–	–	190 934
CB20	252 459	–	–	252 459
CB21	186 923	–	–	186 923
CB22	494 757	–	–	494 757
CB23	37 770	668 404	–	706 174
CB24	11 599	–	–	11 599
CB25	8 330	–	–	8 330
Default	–	–	749 320	749 320
On-balance sheet	**8 196 194**	**668 404**	**749 320**	**9 613 918**
CB1 – 11	93 584	–	–	93 584
CB12	–	–	–	–
CB13	731	–	–	731
CB14	8 133	–	–	8 133
CB15	323	–	–	323
CB16	641	–	–	641
CB17	3 824	–	–	3 824
CB18	123	–	–	123
CB19	–	–	–	–
CB20	–	–	–	–
CB21	–	–	–	–
CB22	–	–	–	–
CB23	–	300	–	300
CB24	–	–	–	–
CB25	–	–	–	–
Default	–	–	1 706	1 706
Off-balance sheet	**107 359**	**300**	**1 706**	**109 365**

[1] *In the prior year, within the Credit quality – Business bank disclosures, Capitec bucketed gross loans and advances based on high risk, medium risk and low risk which were subjectively determined by bucketing accounts by behavioural scores at the reporting date. In the current year, gross loans and advances have been bucketed using the Capitec PD master scale. In the prior year, stage 1 on-balance sheet exposures presented amounted to Rnil for high risk, R0.01 billion for medium risk and R6.9 billion for low risk and off-balance sheet exposure presented amounted to Rnil for high risk, Rnil for medium risk and R0.3 billion for low risk. In the prior year, stage 2 on-balance sheet exposures presented amounted to R0.1 billion for high risk, R0.2 billion for medium risk and R0.2 billion for low risk and off-balance sheet exposure presented amounted to Rnil for high risk, Rnil for medium risk and Rnil for low risk. In the prior year, stage 3 on-balance sheet exposures presented amounted to R0.6 billion for high risk, Rnil for medium risk and Rnil for low risk and no off-balance sheet exposures were presented.*

R'000	Stage 1	Stage 2	Stage 3	Total
2023				
CB1 – 11	525 860	–	–	525 860
CB12	2 874 747	–	–	2 874 747
CB13	1 629 667	–	–	1 629 667
CB14	–	–	–	–
CB15	–	–	–	–
CB16	–	–	–	–
CB17	899 503	–	–	899 503
CB18	–	–	–	–
CB19	–	–	–	–
CB20	1 022 353	–	–	1 022 353
CB21	–	–	–	–
CB22	–	–	–	–
CB23	–	470 883	–	470 883
CB24	–	–	–	–
CB25	–	–	–	–
Default	–	–	631 829	631 829
On-balance sheet	6 952 130	470 883	631 829	8 054 842
CB1 – 11	183 331	–	–	183 331
CB12	–	–	–	–
CB13	3 388	–	–	3 388
CB14	56 439	–	–	56 439
CB15	1 482	–	–	1 482
CB16	–	–	–	–
CB17	3 404	–	–	3 404
CB18	–	–	–	–
CB19	–	–	–	–
CB20	–	–	–	–
CB21	–	–	–	–
CB22	–	–	–	–
CB23	–	300	–	300
CB24	–	–	–	–
CB25	–	–	–	–
Default	–	–	1 706	1 706
Off-balance sheet	248 044	300	1 706	250 050

[1] *In the prior year, within the Credit quality – Business bank disclosures, Capitec bucketed gross loans and advances based on high risk, medium risk and low risk which were subjectively determined by bucketing accounts by behavioural scores at the reporting date. In the current year, gross loans and advances have been bucketed using the Capitec PD master scale. In the prior year, stage 1 on-balance sheet exposures presented amounted to Rnil for high risk, R0.01 billion for medium risk and R6.9 billion for low risk and off-balance sheet exposure presented amounted to Rnil for high risk, Rnil for medium risk and R0.3 billion for low risk. In the prior year, stage 2 on-balance sheet exposures presented amounted to R0.1 billion for high risk, R0.2 billion for medium risk and R0.2 billion for low risk and off-balance sheet exposure presented amounted to Rnil for high risk, Rnil for medium risk and Rnil for low risk. In the prior year, stage 3 on-balance sheet exposures presented amounted to R0.6 billion for high risk, Rnil for medium risk and Rnil for low risk and no off-balance sheet exposures were presented.*

8. Net loans and advances continued

Business bank continued

Analysis of gross loans and advances

Business loans

R'000	GROUP Stage 1	Stage 2	Stage 3	Total
2024				
Balance as at 1 March 2023	6 224 961	741 594	496 330	7 462 885
New loan sales and further drawdowns	72 137 578	747 018	27 831	72 912 427
Income accrued for the year	942 382	70 471	81 901	1 094 754
Transfers				
Stage 1 to stage 2	(198 378)	198 378	—	—
Stage 1 to stage 3	(266 537)	—	266 537	—
Stage 2 to stage 3	—	(76 122)	76 122	—
Stage 3 to stage 2	—	715	(715)	—
Stage 3 to stage 1	3 304	—	(3 304)	—
Stage 2 to stage 1	36 876	(36 876)	—	—
Repayments	(70 740 072)	(937 715)	(125 789)	(71 803 576)
Write-offs	—	—	(136 365)	(136 365)
Balance as at 29 February 2024	**8 140 114**	**707 463**	**682 548**	**9 530 125**
2023				
Balance as at 1 March 2022	5 033 948	713 367	427 756	6 175 071
New loan sales and further drawdowns[1]	62 230 519	644 426	24 009	62 898 954
Income accrued for the year	608 156	67 669	46 801	722 626
Transfers				
Stage 1 to stage 2	(320 374)	320 374	—	—
Stage 1 to stage 3	(170 906)	—	170 906	—
Stage 2 to stage 3	—	(119 021)	119 021	—
Stage 3 to stage 2	—	843	(843)	—
Stage 3 to stage 1	1 712	—	(1 712)	—
Stage 2 to stage 1	118 876	(118 876)	—	—
Repayments	(61 276 970)	(767 188)	(123 503)	(62 167 661)
Write-offs	—	—	(166 105)	(166 105)
Balance as at 28 February 2023	6 224 961	741 594	496 330	7 462 885

[1] *In the prior year, net loan sales and further drawdowns were presented in stage 1. The comparatives have been amended to present net loan sales and further drawdowns in the applicable stages.*

New loan sales and further drawdowns

Monthly credit card and overdraft disbursements are included in new loan sales. Amounts are transferred immediately to the staging of the existing balances for drawdowns.

Income accrued for the year

The income accrued for the year comprises interest received on loans, initiation fees and monthly service fees.

Mortgage loans

R'000	GROUP Stage 1	Stage 2	Stage 3	Total
2024				
Balance as at 1 March 2023	6 952 130	470 883	631 829	8 054 842
New loan sales and further drawdowns	2 941 868	—	—	2 941 868
Income accrued for the year	894 970	40 845	87 039	1 022 854
Transfers				
Stage 1 to stage 2	(403 350)	403 350	—	—
Stage 1 to stage 3	(98 627)	—	98 627	—
Stage 2 to stage 3	—	(48 662)	48 662	—
Stage 3 to stage 2	—	—	—	—
Stage 3 to stage 1	5 309	—	(5 309)	—
Stage 2 to stage 1	149 545	(149 545)	—	—
Repayments	(2 245 651)	(48 467)	(91 209)	(2 385 327)
Write-offs	—	—	(20 319)	(20 319)
Balance as at 29 February 2024	**8 196 194**	**668 404**	**749 320**	**9 613 918**
2023				
Balance as at 1 March 2022	5 672 134	573 335	473 379	6 718 848
New loan sales and further drawdowns	2 584 946	—	—	2 584 946
Income accrued for the year	591 528	45 758	57 069	694 355
Transfers				
Stage 1 to stage 2	(300 389)	300 389	—	—
Stage 1 to stage 3	(75 134)	—	75 134	—
Stage 2 to stage 3	—	(141 196)	141 196	—
Stage 3 to stage 2	—	8 582	(8 582)	—
Stage 3 to stage 1	2 927	—	(2 927)	—
Stage 2 to stage 1	228 637	(228 637)	—	—
Repayments	(1 752 519)	(87 348)	(77 990)	(1 917 857)
Write-offs	—	—	(25 450)	(25 450)
Balance as at 28 February 2023	6 952 130	470 883	631 829	8 054 842

Income accrued for the year

The income accrued for the year comprises interest received on loans, initiation fees and monthly service fees.

Notes to the financial statements continued
Year ended 29 February 2024

8. Net loans and advances continued

Business bank continued

Analysis of provision for ECL

Business loans

R'000	GROUP Stage 1	Stage 2	Stage 3	Total
2024				
Balance as at 1 March 2023	198 825	143 529	291 059	633 413
Movement in the income statement				
New loan sales and further drawdowns	78 028	8 446	22 763	109 237
Stage 1 to stage 2	(2 071)	15 535	—	13 464
Stage 1 to stage 3	(6 206)	—	141 560	135 354
Stage 2 to stage 3	—	(19 589)	48 760	29 171
Stage 2 to stage 1	707	(7 518)	—	(6 811)
Stage 3 to stage 1	47	—	(2 454)	(2 407)
Stage 3 to stage 2	—	20	(460)	(440)
Remain in same stage	(3)	5 971	31 783	37 751
Loans and advances settled in the current year	(26 012)	(7 585)	(6 868)	(40 465)
Write-offs	(359)	(4 797)	(86 126)	(91 282)
Change in forward-looking information[1]	(24 693)	2 675	(1 614)	(23 632)
Balance as at 29 February 2024	218 263	136 687	438 403	793 353
2023				
Balance as at 1 March 2022	170 519	161 422	278 188	610 129
Movement in the income statement				
New loan sales and further drawdowns	77 073	22 226	29 211	128 510
Stage 1 to stage 2	(2 513)	41 244	—	38 731
Stage 1 to stage 3	(3 052)	—	63 861	60 809
Stage 2 to stage 3	—	(19 755)	44 961	25 206
Stage 2 to stage 1	2 604	(21 817)	—	(19 213)
Stage 3 to stage 1	24	—	(1 437)	(1 413)
Stage 3 to stage 2	—	332	(495)	(163)
Remain in same stage	(43 099)	2 760	85 786	45 447
Loans and advances settled in the current year	(14 085)	(20 742)	(53 329)	(88 156)
Write-offs	—	—	(158 651)	(158 651)
Change in forward-looking information[1]	11 354	(22 141)	2 964	(7 823)
Balance as at 28 February 2023	198 825	143 529	291 059	633 413

[1] *Changes in forward-looking SICR are detailed in the Critical accounting estimates and judgements in applying accounting policies section in this note.*

Movement in the income statement

Movement in the income statement is based on the stage of loans at the beginning and end of the year. Where loans were settled or written off during the year, the individual lines in the table have not been grossed up to reflect the movement in the ECL provision during the year up to that point.

Mortgage loans

R'000	GROUP Stage 1	Stage 2	Stage 3	Total
2024				
Balance as at 1 March 2023	29 434	33 618	144 505	207 557
Movement in the income statement				
New loan sales and further drawdowns	21 940	4 297	—	26 237
Stage 1 to stage 2	(792)	7 917	—	7 125
Stage 1 to stage 3	(334)	—	8 888	8 554
Stage 2 to stage 3	—	(2 426)	6 669	4 243
Stage 2 to stage 1	1 983	(8 811)	—	(6 828)
Stage 3 to stage 1	6	—	(372)	(366)
Stage 3 to stage 2	—	—	—	—
Remain in same stage	(5 875)	(314)	39 600	33 411
Loans and advances settled in the current year	(2 129)	(435)	(2 549)	(5 113)
Write-offs	—	—	(13 312)	(13 312)
Change in forward-looking information[1]	1 650	14 751	9 067	25 468
Balance as at 29 February 2024	45 883	48 597	192 496	286 976
2023				
Balance as at 1 March 2022	25 828	60 405	86 051	172 284
Movement in the income statement				
New loan sales and further drawdowns	14 127	5 719	992	20 838
Stage 1 to stage 2	(263)	11 470	—	11 207
Stage 1 to stage 3	(146)	—	9 267	9 121
Stage 2 to stage 3	—	(9 505)	24 494	14 989
Stage 2 to stage 1	2 985	(10 055)	—	(7 070)
Stage 3 to stage 1	—	—	(146)	(146)
Stage 3 to stage 2	—	250	(429)	(179)
Remain in same stage	(10 677)	(11 585)	42 098	19 836
Loans and advances settled in the current year	(1 497)	(1 080)	(10 320)	(12 897)
Write-offs	—	—	(24 802)	(24 802)
Change in forward-looking information[1]	(923)	(12 001)	17 300	4 376
Balance as at 28 February 2023	29 434	33 618	144 505	207 557

[1] *Changes in forward-looking SICR are detailed in the Critical accounting estimates and judgements in applying accounting policies section in this note.*

Movement in the income statement

Movement in the income statement is based on the stage of loans at the beginning and end of the year. Where loans were settled or written off during the year, the individual lines in the table have not been grossed up to reflect the movement in the ECL provision during the year up to that point.

8. Net loans and advances continued

Business bank continued

Factors impacting and contributing to significant changes in the ECL during the year

Business bank loans comprise business loans (including rental finance) and mortgage loans. The net credit impairment charge on Business bank loans and advances increased by 55% to R322 million (2023: R208 million). Gross loan balances increased by 23% from R15.5 billion to R19.1 billion. The coverage ratio increased from 5.4% to 5.6% resulting in an ECL provision balance of R1.1 billion (2023: R0.8 billion) as the gross loan book shifted to stages 2 and 3.

The rental finance (instalment sales agreements) credit impairment charge amounted to R107 million (2023: R74 million). We saw continued strain in the rental finance loan book from the second half of the 2023 financial year due to the increases in the repo rate. This led to a pullback in granting during the reporting period resulting in a decrease in sales. Sales for the year amounted to R732 million (2023: R825 million). Business banking's credit impairment charge on mortgage and business loans (excluding rental finance) grew from R134 million to R215 million due to growth in the loan book and changes in the composition of the loan book.

New loan sales for the year increased by 16%. Business loans excluding overdrafts but including rental finance grew by 26% to R3.8 billion. Overdraft disbursements grew by 15% while mortgage loan sales grew by 14%. The growth in unsecured business loans and overdrafts was primarily the result of business clients utilising these products to finance working capital requirements.

The table below details the trend in the coverage ratios.

%	February 2024	February 2023
Stage 1	**1.6**	1.7
Stage 2	**13.4**	14.6
Stage 3	**44.1**	38.7
Total	**5.6**	5.4

The stage 1 book grew by 24% and the coverage ratio decreased to 1.6% (2023: 1.7%). The business loans coverage ratio decreased from 3.2% to 2.7%. Business loans are carrying lower provisions for ECL than a year ago because our forward-looking macroeconomic information model is predicting an improved future default experience on these loans.

The stage 2 book grew by 13% primarily driven by mortgages categorised as showing forward-looking SICR. Higher interest rates continue to put pressure on property owners and their collateral. The decrease in the coverage ratio resulted from business loans rolling from stage 2 to stage 3.

The stage 3 gross loan book grew by 27% and the coverage ratio increased by 5% illustrating the continued economic pressure on small- and medium-sized enterprises (SMEs). The increase in the coverage ratio was due to business loans comprising a greater proportion of the stage 3 loan book. Mortgage loans are secured against property and therefore carry a lower coverage ratio.

Critical accounting estimates and judgements in applying accounting policies

The preparation of the group's annual financial statements requires management to make estimates that affect the amounts reported in the annual financial statements and accompanying notes. Management apply their judgement based on historical evidence, current events and actions that may be undertaken in future. Actual results may ultimately differ from estimates.

The measurement of the loss allowance for ECL on loans and advances represents the most material assumptions, estimates and judgements applied in preparing the consolidated annual financial statements.

Judgements

Significant increase in credit risk (SICR)

In terms of IFRS 9, all loans and advances exposures that are up-to-date are assessed at each reporting date to determine whether there has been a SICR since initial recognition of the instrument, in which case an impairment equal to the lifetime ECL is recognised. If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the group recognises a 12-month ECL.

The group identifies SICR for clients who are up-to-date on their credit product but who have reached certain behaviour risk thresholds or where specific events have occurred that automatically trigger a SICR.

The group considers reasonable and supportable information based on the group's historical experience, credit risk assessment and forward-looking information (including macroeconomic factors) when determining whether the credit risk (i.e. the risk of default) of loans and advances has increased significantly since initial recognition. The assessment of SICR is key in determining when to move from measuring an impairment provision based on a 12-month ECL to one that is based on a lifetime ECL (the move from stage 1 to stage 2). The group's ECL framework aligns with the group's credit granting strategy.

The group considers a loan for its Business bank clients to have experienced a SICR if the borrower is on the watch list or meets at least 1 of the following criteria:

- Significant adverse changes in business, financial or economic conditions in which the borrower operates
- Actual or expected forbearance or restructuring
- Actual or expected significant adverse change in the operating results of the borrower
- Early signs of cash flow or liquidity problems such as a delay in servicing of trade creditors and loans.

Irrespective of the outcome of the assessment according to the above criteria, the Business bank considers a loan to have experienced a SICR if the borrower is more than 1 month past due on their contractual payments.

Sensitivity analysis

The ECL would increase by R61 million (2023: R43 million) if a lifetime ECL was applied to 5% of the current stage 1 portfolio. If we applied a lifetime provision to accounts that are between 1 and 30 days in arrears at the reporting date, the ECL would increase by R2 million (2023: R1 million).

Estimates

Forward-looking information incorporated in the impairment of loans and advances

It is a fundamental principle of IFRS 9 that the group's loss allowance for ECL against potential future losses should take into account changes in the economic environment in the future. Forward-looking information has been incorporated in measuring the loss allowance for ECL through the application of quantitative modelling and expert judgement-based adjustments.

To capture the effects of changes to the economic environment in the future, the forward-looking model for the Business bank considers economic variables specific to South Africa that directly impact the group's clients. 3 forward-looking scenarios are incorporated into the range of reasonably possible outcomes (negative, positive and baseline scenarios).

The methodology for incorporating the forward-looking information has not changed from the prior year except for changes to the inputs and the probabilities assigned to the economic scenarios used.

The BER provided management with a set of forward-looking macroeconomic scenarios (baseline, positive and negative) and associated probabilities covering a planning horizon of 5 years in January 2024. The ALCO reviewed and approved the BER's forward-looking macroeconomic outlook. The scenarios are linked to PDs to derive a forward-looking ECL per segment.

Notes to the financial statements continued

Year ended 29 February 2024

8. Net loans and advances continued

Business bank continued

Critical accounting estimates and judgements in applying accounting policies continued

Estimates continued

Forward-looking information incorporated in the impairment of loans and advances continued

The main considerations of the BER in setting the scenarios are outlined below. These then impact the forecast macroeconomic variables.

- The economic growth outlook of South Africa's major trading partners and the impact it has on the demand for South Africa's exports of goods and services to these markets
- Looming domestic risks resulting in a slowdown of GDP growth, including increased and prolonged levels of load shedding and persistent bottlenecks in the logistics sector.

The probability weightings for the 12-month forecast period for each of the scenarios, as set out in the following table, were accepted by management.

Scenario probability	2024	2023
Baseline (%)	**54**	53
Negative (%)	**21**	24
Positive (%)	**25**	23

The relevance of the outlook to Capitec's Business bank loan book is proven by a historical linear relationship to a change in a basket of macroeconomic variables. These variables, which were increased in the current year following the expansion of the segmentation of the forward-looking macroeconomic model, are:

	2023			2024			2025		
Macroeconomic variable[1]	**Bad**	**Baseline**	**Good**	**Bad**	**Baseline**	**Good**	**Bad**	**Baseline**	**Good**
2024									
Unemployment rate (%)	**32.26**	**32.25**	**32.25**	**31.97**	**31.62**	**31.03**	**31.64**	**31.30**	**30.10**
Headline inflation (CPI) (%)	**5.94**	**5.92**	**5.91**	**6.61**	**4.99**	**4.76**	**4.69**	**4.56**	**4.22**
Petrol price cents per litre	**2.08**	**1.88**	**1.86**	**16.21**	**(0.21)**	**(1.14)**	**(5.61)**	**(1.03)**	**(1.19)**
London gold price USD/oz	**1 953.58**	**1 943.18**	**1 943.18**	**2 107.96**	**2 025.73**	**2 025.73**	**2 046.25**	**2 017.48**	**2 017.48**
Debt cost as a % of disposable net household income	**8.71**	**8.71**	**8.71**	**9.30**	**8.99**	**8.78**	**8.58**	**8.31**	**8.22**
Effective firm lending rate (%)	**9.31**	**9.30**	**9.30**	**10.70**	**10.14**	**9.94**	**9.67**	**8.96**	**8.84**
Real private sector credit extension to firms	**(1.58)**	**(1.52)**	**(1.51)**	**(0.59)**	**1.72**	**2.56**	**2.84**	**4.10**	**5.61**
House price index	**1.77**	**1.88**	**1.89**	**2.03**	**4.14**	**5.29**	**3.28**	**4.94**	**7.45**
Producer Price Index	**6.90**	**6.88**	**6.88**	**6.21**	**4.48**	**4.36**	**3.78**	**4.00**	**4.13**

[1] *Year-on-year percentage change, unless otherwise stated.*

	2022			2023			2024		
Macroeconomic variable[1]	**Bad**	**Baseline**	**Good**	**Bad**	**Baseline**	**Good**	**Bad**	**Baseline**	**Good**
2023									
Unemployment rate (%)	33.55	33.52	33.49	32.98	32.31	31.76	33.08	31.57	30.31
Headline inflation (CPI) (%)	6.86	6.85	6.85	5.64	5.40	5.24	4.78	4.59	4.51
Spot oil price: USD/barrel	99.10	99.10	99.10	82.75	87.25	87.25	77.75	84.88	84.88
Producer Price Index	14.33	14.33	14.33	6.04	6.10	5.91	3.44	3.90	3.97
Debt cost as a % of disposable net household income	7.48	7.48	7.48	9.29	9.00	8.85	9.37	8.82	8.65
Private sector credit extension to households	0.78	0.78	0.78	0.97	1.19	1.38	(0.44)	0.33	0.85
Private sector credit extension to firms	(0.45)	(0.45)	(0.44)	(2.14)	(1.63)	(0.93)	(2.53)	(0.29)	0.46
Effective firm lending rate (%)	6.43	6.43	6.42	9.62	9.29	9.26	9.50	8.82	8.63
House price index	3.62	3.62	3.62	2.14	3.12	3.50	3.69	5.64	6.67

[1] *Year-on-year percentage change, unless otherwise stated.*

Impact of forward-looking information on ECL – 2024

The forward-looking macroeconomic information in the previous table has been incorporated into the ECL estimates through the application of quantitative modelling and expert judgement-based post-model adjustments. The group stratifies aspects such as client risk segments, product type and the behaviour score of the client. The risk segmentation of the forward-looking macroeconomic model uses macroeconomic variables. These are correlated to historical experience to determine the impact of forward-looking macroeconomic information on the ECL for loans grouped into 7 segments.

The impact of forward-looking information on the ECL, based on the 3 scenarios, is reflected below.

Impact of forward-looking information on ECL	R'm	Percentage (%) change
2024		
Probability-weighted impact of all 3 scenarios	**93**	
100% negative scenario	**103**	**11.7**
100% baseline scenario	**91**	**(1.6)**
100% positive scenario	**87**	**(6.5)**

Impact of forward-looking information on ECL – 2023

The forward-looking macroeconomic information in the previous table has been incorporated into ECL estimates through the application of quantitative modelling and expert judgement-based post-model adjustments. The group stratifies aspects such as client risk segments, product type and the behaviour score of the client. The risk segmentation of the forward-looking macroeconomic model was expanded to use the most appropriate macroeconomic variables. These are correlated to determine the impact of forward-looking macroeconomic information on the ECL for loans grouped into 6 internally developed client behaviour score segments.

A new methodology for incorporating forward-looking information was developed for the Business bank during the current year to align the methodology with that of the Retail bank. The impact of forward-looking macroeconomic information on ECL is determined based on historical relationships between movements in the macroeconomic variables and default rates.

The impact of forward-looking information on the ECL, based on the 3 scenarios, is reflected below.

Impact of forward-looking information on ECL	R'm	Percentage (%) change
2023		
Probability-weighted impact of all 3 scenarios	97	
100% negative scenario	106	9.3
100% baseline scenario	96	(1.0)
100% positive scenario	90	(7.2)

Event-driven management credit estimates

Additional ECLs are recognised by way of a management overlay after significant expert consultation with executive management and seasoned credit professionals.

Notes to the financial statements continued

Year ended 29 February 2024

8. Net loans and advances continued

Business bank continued

Critical accounting estimates and judgements in applying accounting policies continued

Estimates continued

Modelling assumptions

Management judgement is required to consider how historical data is used to project ECL. In response to this, all components of the ECL statistical model (PD, EAD and LGD) used to estimate the timing and amount of forecast cash flows based on historical default data and recoveries have been recalibrated.

Detailed analysis of leases (rental assets) included in business loans

R'000	GROUP 2024	2023
Gross investment in lease receivables		
Less than 1 year	**783 345**	695 856
1 to 2 years	**612 022**	560 427
2 to 3 years	**464 714**	423 420
3 to 4 years	**279 009**	281 768
4 to 5 years	**82 570**	110 126
More than 5 years	**10 370**	4 142
Gross investment in lease receivables	**2 232 030**	2 075 739
Unearned finance income	**(463 823)**	(440 495)
Net investment in lease receivables	**1 768 207**	1 635 244
Net lease receivables		
Less than 1 year	**564 506**	496 661
1 to 5 years	**1 189 232**	1 130 819
More than 5 years	**14 469**	7 764
Net investment in lease receivables	**1 768 207**	1 635 244
Less: ECL	**(194 326)**	(131 011)
Net lease receivable	**1 573 881**	1 504 233

These agreements consist of rental finance agreements. The rental finance agreements are typically granted to Business bank clients to lease security equipment, copiers and telecommunication equipment. The instalment sale agreements are granted to finance the motor vehicles and equipment of our Business bank clients. The accumulated allowance for uncollectible minimum lease payments receivable included in the allowance for impairments at the reporting date is R194.3 million (2023: R131.0 million).

Analysis of the amounts recognised in the income statement for rental finance

R'000	GROUP 2024	2023
Selling profit or loss	**4 959**	5 105
Finance income on the net investment in leases	**257 954**	185 750
Income relating to variable lease payments not included in the measurement of the net investment in leases	**31 902**	25 734

Significant changes in the carrying amount of the net investment in finance leases for the year

New rental agreements amounted to R688.0 million (2023: R850.8 million), while the cost of early-settled deals was R60.0 million (2023: R70.0 million). The capital portion of bad debts written off was R28.9 million (2023: R26.2 million).

Collateral held as security and other credit enhancements relating to credit-impaired financial assets in stage 3

R'000	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held
2024				
Business loans	**682 548**	**(438 403)**	**244 145**	**244 145**
Mortgage loans	**749 320**	**(192 496)**	**556 824**	**556 824**
	1 431 868	**(630 899)**	**800 969**	**800 969**
2023				
Business loans	496 330	(291 059)	205 271	205 271
Mortgage loans	631 829	(144 505)	487 324	487 324
	1 128 159	(435 564)	692 595	692 595

Where the fair value of the collateral is greater than the carrying amount, the fair value of the collateral has been limited to the carrying amount. The total fair value of collateral held on stage 3 loans is R1.1 billion (2023: R0.9 billion).

The fair value of collateral and other credit enhancements is determined by referencing the realisable value of security held before adjusting for expected recoveries.

All the Business bank clients are accorded a risk grading. The risk grading is dependent on the client's creditworthiness and standing with the group, and is subject to ongoing assessment of the client's financial standing and the acceptability of their dealings with the group, including adherence to repayment terms and compliance with other set conditions.

Description of collateral held as security and other credit enhancements	Method of valuation
Cession of debtors	15% – 75% of debtors due and payable under 90 days and depending on debtor credit quality
Pledge of shares	50% of listed shares value, nil for unlisted shares
Pledge and cession of assets (specific and general)	Variable depending on asset type and value
Cession of life and endowment policies	100% of surrender value
Pledge of call and savings accounts, fixed and notice deposits	100% of asset value
Vacant land	50% of professional valuation
Residential properties	60% – 80% of professional valuation
Commercial and industrial properties	55% – 70% of professional valuation
Catering, industrial and office equipment	Variable depending on asset type and depreciated value
Trucks	Variable depending on asset type and depreciated value
Earthmoving equipment	Variable depending on asset type and depreciated value
Motor vehicles	Variable depending on asset type and depreciated value
General notarial bond	Variable depending on asset type and depreciated value
Special notarial bond	Variable depending on asset type and depreciated value

Notes to the financial statements continued

Year ended 29 February 2024

8. Net loans and advances continued

Business bank continued

Collateral held as security and other credit enhancements relating to credit-impaired financial assets in stage 3 continued

All collateral held by the bank in respect of a loan and advance can be realised in accordance with the terms of the agreement or the facility conditions applicable thereto. Cash collateral and pledged assets that can be realised in accordance with the terms of the pledge and cession or suretyship are applied in reduction of related exposures. Pledged assets, other than cash or cash equivalent collateral and tangible security articles, are appropriated and disposed of, where necessary, after legal action and in compliance with the applicable Court rules and directives.

A client in default will be advised of the default and afforded an opportunity to regularise the arrears. Failing normalisation of the account, legal action and repossession procedures will be followed and all attached assets will be disposed of in accordance with the applicable legislation. In the case of insolvent and deceased estates, the duly appointed liquidator or trustee will dispose of all assets.

At the end of the financial year ended 29 February 2024, the EAD for loans in all stages where the collateral held exceeded the carrying amount of the advance amounted to R8.5 billion (2023: R7.1 billion).

9. Other receivables

	GROUP		COMPANY	
R'000	2024	Restated[2] 2023	2024	2023
Financial receivables	**8 058 453**	4 557 898	**254 830**	2 264
Deposits	**1 992**	1 903	**—**	—
SARB settlement balance	**5 835 163**	3 004 738	**—**	—
Other receivables[1]	**2 221 298**	1 551 257	**254 830**	2 264
Accrued income	**312 377**	186 498	**—**	—
Clearing accounts	**696 240**	634 331	**—**	—
Sundry receivables	**1 212 681**	730 428	**254 830**	2 264
Non-financial receivable	**348 414**	245 366	**10**	463
Prepayments	**348 414**	245 366	**10**	463
Total other receivables	**8 406 867**	4 803 264	**254 840**	2 727
Current portion	**8 380 031**	4 780 060	**254 840**	2 727
Non-current portion	**26 836**	23 204	**—**	—
Maximum exposure to credit risk	**8 406 867**	4 803 264	**254 840**	2 727

[1] *Other receivables has been disaggregated to reflect its composition. To provide comparability, the prior year balances have been disaggregated on the same basis.*

[2] *Other receivables have been restated for the adoption of IFRS 17* Insurance Contracts. *Refer to note 3 Restatement – adoption of IFRS 17 and related assessments.*

Accounting policies

Other receivables comprise settlement balances with the SARB, prepayments which comprise IT and business development expenses, deposits that meet the definition of financial assets and other receivables.

These classes of debt instruments are held for the collection of their contractual cash flows which represent SPPI and they are therefore measured at amortised cost. Interest income from these financial assets is included in interest income on the group's income statement using the effective interest rate method.

Impairment recognition

Other receivables are subject to the impairment requirements of IFRS 9. Impairment losses are presented as part of the credit impairment charge on the group's income statement. The SARB settlement balance comprises stage 1 balances with no movements between the stages during the current and prior financial years. The balances are subject to the impairment requirements of IFRS 9. The impairment loss calculated on the SARB settlement balance was not material given the short-dated maturity of the balances. The impairment loss calculated was measured as a 12-month ECL because the credit risk has not increased significantly since initial recognition and no balances are credit-impaired at the statement of financial position date. ECL on the other financial receivables is calculated using the simplified approach. This results in a lifetime ECL being recognised.

Credit quality of other receivables

At the statement of financial position date, the international long-term credit ratings, using Moody's ratings, were as follows:

GROUP

R'000	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to Ba3	Not rated	ECL	Total carrying amount
2024							
Financial receivables[1]	**—**	**—**	**—**	**5 835 163**	**2 223 290**	**—**	**8 058 453**
2023							
Financial receivables[1]	—	—	—	3 004 738	1 553 160	—	4 557 898

[1] *Credit quality of other receivables has been amended to include deposits. Comparatives have been updated for this amendment.*

COMPANY

R'000	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to Ba3	Not rated	ECL	Total carrying amount
2024							
Financial receivables	**—**	**—**	**—**	**252 490**	**2 340**	**—**	**254 830**
2023							
Financial receivables	—	—	—	—	2 264	—	2 264

10. Insurance contract assets/(liabilities)

The insurance contracts are disclosed by major product lines, namely funeral plan policies and credit life insurance policies. The in-substance reinsurance contracts created by the 2 cell captive arrangements are not consolidated, but are recognised as insurance contracts issued. The accounting policies for insurance contracts issued are also applicable to in-substance reinsurance contracts issued, unless otherwise specified.

The results of the in-substance reinsurance contracts created by the cell captive arrangements are net of any tax that the cell insurer is liable to pay and net of any reinsurance agreement the cell insurer may have.

The following is a reconciliation of the asset position of the major product lines:

R'000	2024	Restated 2023
Funeral	**1 911 837**	616 176
Credit life	**1 049 107**	1 354 558
Total insurance contract assets	**2 960 944**	1 970 734

Accounting policies

Transition approach

IFRS 17 requires the group to apply the standard retrospectively unless it is impracticable to do so. Given that the accounting policies previously applied by the group did not require performing best estimate valuations of the insurance contract liabilities, the group concluded that it would be impracticable to apply IFRS 17 retrospectively for periods prior to the transition date (i.e. 1 March 2022). The group elected to apply the modified retrospective approach (MRA) to groups of contracts that were recognised before the transition date.

The group applied modifications in the following areas:

- The profitability assessment was based on the profitability at the transition date rather than the initial recognition date. No onerous groups of contracts existed at the transition date
- All contracts issued before the transition date were included in a single cohort for each portfolio
- The group estimated the future cash flows at the initial recognition date as the future cash flows at the transition date, adjusted for the actual cash flows that occurred between these 2 dates
- The locked-in and current discount rates were based on the government bond yield curve
- The group estimated the risk adjustment for non-financial risk (RA) by adjusting the risk adjustment at the date of transition with the expected release of risk before the transition date
- The contractual service margin (CSM) remaining at the transition date was determined by comparing the remaining coverage units at the transition date with the coverage units provided before the transition date.

Scope

The group accepts significant insurance risk from its policyholders when issuing insurance contracts and in-substance reinsurance contracts in the normal course of business. All the group's insurance contracts are classified as insurance contracts without direct participation features and there are no investment components within the insurance contracts issued.

The group recognises groups of insurance contracts issued from the earliest of the following dates:

- The beginning of the coverage period of the group of contracts
- The date when the first payment from a policyholder in the group of contracts becomes due (in the absence of a contractual due date, this is deemed to be when the first payment is received)
- The date when a group of contracts becomes onerous.

Level of aggregation

The group allocates insurance contracts that are managed together and are subject to similar risks to portfolios. The group has defined portfolios of insurance contracts issued based on its product lines, namely, credit life and funeral plan contracts. For determining the level of aggregation, the group identifies a contract as the smallest 'unit'.

Each portfolio of insurance contracts issued is further disaggregated into groups of contracts that are issued within a financial year (annual cohorts). Portfolios are further divided into 3 categories based on the expected profitability at initial recognition: onerous contracts, contracts with no significant risk of becoming onerous and the remainder.

For each portfolio, the group applies judgement to conclude whether reasonable and supportable information is available to conclude that a set of contracts will all be in the same profitability group. The expected profitability of sets of contracts at inception is determined based on the existing measurement models and assumptions.

The group elected to include, in the same group, contracts where its ability to set prices for clients with different characteristics is constrained by regulation, for instance premium ceilings.

Separating components of an insurance contract

The group assessed its products to determine whether they contain components which must be accounted for under another IFRS Accounting Standard rather than IFRS 17. Currently, the product lines do not include any distinct components that require separation.

Contract boundary

The measurement of a group of insurance contracts includes all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the group can compel the policyholder to pay the premiums, or in which the group has a substantive obligation to provide the policyholder with insurance contract services.

A substantive obligation to provide insurance contract services ends when:

- the group has the practical ability to reassess the risks of an individual client and reprice the insurance contracts to fully reflect those reassessed risks, or
- the group has the practical ability to reassess the risks of a portfolio and reprice the portfolio to fully reflect those reassessed risks and the pricing of premiums up to the date when the risks are reassessed does not allow for risks after that date.

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract is not recognised. Such amounts relate to future insurance contracts.

The group determined the contract boundaries for its current product lines. The contract boundaries are consistent with the policy periods.

Measurement of insurance contracts – initial recognition

The group applies the General Measurement Model to all insurance contracts issued.

A group of insurance contracts is measured as the total of fulfilment cash flows and a CSM. Fulfilment cash flows are probability-weighted estimates of future cash flows, discounted to the present value to reflect the time value of money and financial risks (i.e. a best estimate liability), plus an RA.

The discount rates reflect the characteristics of the cash flows including timing, currency and liquidity of cash flows.

The CSM at initial recognition represents the unearned profit that will be recognised as insurance contract services are provided under the insurance contracts in the group. The CSM on initial recognition is measured at an amount that, unless the group of contracts is onerous, results in no income or expenses arising on that initial recognition.

The RA represents the compensation that is required for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts that arise from non-financial risk.

10. Insurance contract assets/(liabilities) continued

Accounting policies continued

Measurement of insurance contracts – initial recognition continued

When estimating future cash flows, the group includes all cash flows that are within the contract boundary including:

- premiums
- expected future claims and benefits
- an allocation of insurance acquisition cash flows attributable to the portfolio to which the contract belongs
- claims handling costs
- policy administration and maintenance costs
- an allocation of fixed and variable overheads directly attributable to fulfilling insurance contracts.

Measurement of insurance contracts – subsequent to recognition

The carrying amount of a group of contracts is measured at the end of each reporting period as the sum of:

- the liability for remaining coverage (LFRC), comprising the fulfilment cash flows relating to future service, the CSM at that date and other cell captive net assets which reflect the group's contribution to the cell captive arrangements as well as cash retained in the cell captive arrangements which has not yet been distributed to the group
- the liability for incurred claims (LIC), comprising the fulfilment cash flows relating to incurred but not yet paid claims at that date.

Changes in fulfilment cash flows

The fulfilment cash flows are updated by the group for current assumptions at the end of every reporting period using the current estimates of the amount, timing and uncertainty of future cash flows and discount rates. How the changes in estimates of the fulfilment cash flows are treated depends on which estimates are being updated:

- Changes that relate to current or past service are recognised in profit or loss, and
- Changes that relate to future service are recognised by adjusting the CSM or the loss component of the LFRC.

The following adjustments relate to future service and therefore adjust the CSM:

- Changes in estimates of the present value of future cash flows in the LFRC, except for the following adjustments which do not relate to future service and therefore do not adjust the CSM:
  - Changes in the fulfilment cash flows for the effect of the time value of money and the effect of financial risk and changes thereto
  - Changes in the fulfilment cash flows relating to the LIC
  - Experience adjustments that relate to current service
- Changes in the RA that relate to future service.

The changes in estimates that relate to future service are measured at locked-in discount rates per group.

Contractual service margin

The CSM at the end of the reporting period represents the profit in the group of contracts that has not yet been recognised in profit or loss, because it relates to future services to be provided.

At the end of each reporting period, the CSM is adjusted by the group to reflect the effect of the following changes:

- The effect of any new contracts added to the group of contracts
- Interest accreted on the carrying amount of the CSM measured at locked-in discount rates
- The changes in fulfilment cash flows relating to future service, except to the extent that:
  - such increases in the fulfilment cash flows exceed the carrying amount of the CSM, giving rise to a loss
  - such decreases in the fulfilment cash flows are allocated to the loss component of the LFRC
- The amount recognised as insurance revenue for services provided during the reporting period determined after all other adjustments above.

The amount of the CSM released in the period is determined by allocating the CSM at the end of the period equally to each coverage unit provided in the current period and expected to be provided in the future and recognising in profit or loss the amount allocated to coverage units provided in the current period. The number of coverage units in a group of contracts is the quantity of insurance contract services provided by the contracts in the group of contracts, determined by considering the quantity of the benefits provided and the expected coverage period.

Loss component

Where, during the coverage period, a group of insurance contracts becomes onerous, the group recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the group in the LFRC for such onerous group depicting the losses recognised.

Measurement of insurance contracts – modification and derecognition

The group derecognises insurance contracts when:

- the rights and obligations relating to the contract are extinguished (i.e. discharged, cancelled or expired)
- the contract is modified such that the modification results in a change in the measurement model or the applicable standard for measuring a component of the contract substantially changes the contract boundary, or requires the modified contract to be included in a different group. In such cases, the group derecognises the initial contract and recognises the modified contract as a new contract.

The group treats all other contract modifications as changes in estimates of the fulfilment cash flows.

Insurance acquisition cash flows

Insurance acquisition cash flows arise from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs.

The group does not pay insurance acquisition cash flows before the related group of contracts is recognised.

Insurance revenue

As the group provides services under a group of contracts, it reduces the LFRC and recognises insurance revenue, which is measured at the amount of consideration the group expects to be entitled to in exchange for those services.

The insurance revenue consists of the sum of the changes in the LFRC due to:

- Insurance service expenses incurred in the period measured at the amounts expected at the beginning of the period
- Changes in the RA recognised for the risk expired
- Amounts of the CSM recognised in profit or loss for the services provided in the period
- Experience adjustments for premium receipts and insurance acquisition cash flows relating to current or past service
- An allocation of premiums for the recovery of insurance acquisition cash flows.

For in-substance reinsurance agreements, the acquisition and maintenance expenses incurred within the cell arrangements are treated as a reduction in insurance revenue and presented as part of the experience adjustments.

10. Insurance contract assets/(liabilities) continued

Accounting policies continued

Insurance service expenses

Insurance service expenses arising from a group of contracts issued comprise:

- Incurred claims and other directly attributable expenses incurred in the current period
- Amortisation of insurance acquisition cash flows
- Changes relating to past service (i.e. changes in the fulfilment cash flows relating to the LIC for prior periods)
- Changes relating to future service (i.e. losses on onerous contracts and reversals of those losses).

For in-substance reinsurance agreements, the insurance service expenses include the actual tax incurred during the reporting period.

Insurance finance income/(expense)

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

- the effect of the time value of money and changes in the time value of money
- the effect of financial risk and changes in financial risk.

For in-substance reinsurance agreements, the insurance finance income/(expense) includes the interest earned by investments in the cell captive.

The group elected to disaggregate the change in the RA between the insurance service result and insurance finance income or expenses.

Loss components

The group should aggregate contracts that are onerous at initial recognition separately from contracts in the same portfolio that are not onerous at initial recognition. Groups that were not onerous at initial recognition can also subsequently become onerous if assumptions and experience changes.

The group does not currently have any loss components as none of the groups of contracts were onerous at initial recognition or have become onerous subsequently.

Insurance cash flows

For insurance contracts issued on the group's own licence, the cash flows consist of premiums received, claims and directly attributable expenses.

For in-substance reinsurance agreements, the cash flows consist of the following items:

- Premiums received are presented net of directly attributable maintenance and acquisition expenses incurred in the cell captives
- For credit life insurance, claims and other expenses represents claims and taxation incurred in the cell captives
- For funeral insurance, claims and other expenses represents taxation incurred during the year since all claims were settled by the reinsurer as per the reinsurance agreement (2023: same)
- Distribution received represents any cash distribution received by the group from the cell captives
- Cell captive cash flows represent the undistributed cash flows above for the year.

Funeral

Roll-forward of the net asset for funeral insurance contracts issued showing the asset/(liability) for remaining coverage and the LIC. Included in the asset/(liability) for remaining coverage is the investment balance in the cell captive of R3 653 million (2023: R1 814 million).

R'000	Asset/ (liability) for remaining coverage	Liability for incurred claims	Total asset/ (liability)
Insurance contract assets as at 1 March 2023	**616 176**	**—**	**616 176**
Insurance revenue			
Contracts under the MRA	**963 153**	**—**	**963 153**
Contracts written after transition	**744 027**	**—**	**744 027**
Insurance service expense			
Incurred claims and other expenses	**—**	**(529 594)**	**(529 594)**
Insurance service result	**1 707 180**	**(529 594)**	**1 177 586**
Interest accreted	**(165 990)**	**—**	**(165 990)**
Effect of changes in interest rates and other financial assumptions	**64 875**	**—**	**64 875**
Net cell captive interest income	**219 190**	**—**	**219 190**
Insurance finance income/(expense)	**118 075**	**—**	**118 075**
Total changes in the income statement	**1 825 255**	**(529 594)**	**1 295 661**
Cash flows			
Premiums received	**(2 149 528)**	**—**	**(2 149 528)**
Claims and other expenses paid	**—**	**529 594**	**529 594**
Cell captive cash flows	**1 619 934**	**—**	**1 619 934**
Total cash flows	**(529 594)**	**529 594**	**—**
Insurance contract assets as at 29 February 2024	**1 911 837**	**—**	**1 911 837**
Insurance contract assets/(liabilities) as at 1 March 2022	(198 323)	—	(198 323)
Insurance revenue			
Contracts under the MRA	1 210 897	—	1 210 897
Contracts written after transition	260 485	—	260 485
Insurance service expense			
Incurred claims and other expenses	—	(384 641)	(384 641)
Insurance service result	1 471 382	(384 641)	1 086 741
Interest accreted	(157 807)	—	(157 807)
Effect of changes in interest rates and other financial assumptions	29 658	—	29 658
Net cell captive interest income	59 628	—	59 628
Insurance finance income/(expense)	(68 521)	—	(68 521)
Total changes in the income statement	1 402 861	(384 641)	1 018 220
Cash flows			
Premiums received	(1 813 742)	—	(1 813 742)
Claims and other expenses paid	—	384 641	384 641
Distribution received	(203 721)	—	(203 721)
Cell captive cash flows	1 429 101	—	1 429 101
Total cash flows	(588 362)	384 641	(203 721)
Insurance contract assets as at 28 February 2023	616 176	—	616 176

10. Insurance contract assets/(liabilities) continued

Funeral continued

Roll-forward of the net asset for funeral insurance contracts issued showing the estimates of the present value of future cash flows, the RA and CSM. Included in the estimates of the present value of future cash flows is the investment balance in the cell captive of R3 653 million (2023: R1 814 million).

R'000	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin	Total asset
Insurance contract assets as at 1 March 2023	4 306 793	(818 502)	(2 872 115)	616 176
Changes that relate to current services				
CSM recognised for current service provided	—	—	748 374	748 374
RA recognised for the risk expired	—	311 777	—	311 777
Experience adjustments	117 435	—	—	117 435
Changes that relate to future services				
Contracts initially recognised in the period	1 438 921	(349 527)	(1 089 394)	—
Changes in estimates that adjust the CSM	(4 002)	(127 766)	131 768	—
Insurance service result	1 552 354	(165 516)	(209 252)	1 177 586
Interest accreted	217 066	(73 617)	(309 439)	(165 990)
Effect of changes in interest rates and other financial assumptions	64 383	492	—	64 875
Net cell captive interest income	219 190	—	—	219 190
Insurance finance income/(expense)	500 639	(73 125)	(309 439)	118 075
Total changes in the income statement	2 052 993	(238 641)	(518 691)	1 295 661
Cash flows				
Premiums received	(2 149 528)	—	—	(2 149 528)
Claims and other expenses paid	529 594	—	—	529 594
Cell captive cash flows	1 619 934	—	—	1 619 934
Total cash flows	—	—	—	—
Insurance contract assets as at 29 February 2024	6 359 786	(1 057 143)	(3 390 806)	1 911 837

Roll-forward of the CSM disaggregated between groups of insurance contracts measured under the MRA and those that are not for the year ended 29 February 2024.

R'000	Contracts written after transition	Contracts under MRA	Total CSM
CSM as at 1 March 2023	(797 661)	(2 074 454)	(2 872 115)
Changes that relate to current services			
CSM recognised for current service provided	343 828	404 546	748 374
Changes that relate to future services			
Contracts initially recognised in the period	(1 089 394)	—	(1 089 394)
Changes in estimates that adjust the CSM	95 778	35 990	131 768
	(649 788)	440 536	(209 252)
Interest accreted	(104 665)	(204 774)	(309 439)
Total changes in the income statement	(754 453)	235 762	(518 691)
CSM as at 29 February 2024	(1 552 114)	(1 838 692)	(3 390 806)

R'000	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin	Total asset/ (liability)
Insurance contract assets/(liabilities) as at 1 March 2022	2 661 162	(664 245)	(2 195 240)	(198 323)
Changes that relate to current services				
CSM recognised for current service provided	—	—	646 585	646 585
RA recognised for the risk expired	—	254 111	—	254 111
Experience adjustments	186 045	—	—	186 045
Changes that relate to future services				
Contracts initially recognised in the period	1 293 374	(346 516)	(946 858)	—
Changes in estimates that adjust the CSM	150 517	(18 210)	(132 307)	—
Insurance service result	1 629 936	(110 615)	(432 580)	1 086 741
Interest accreted	127 365	(40 877)	(244 295)	(157 807)
Effect of changes in interest rates and other financial assumptions	32 423	(2 765)	—	29 658
Net cell captive interest income	59 628	—	—	59 628
Insurance finance income/(expense)	219 416	(43 642)	(244 295)	(68 521)
Total changes in the income statement	1 849 352	(154 257)	(676 875)	1 018 220
Cash flows				
Premiums received	(1 813 742)	—	—	(1 813 742)
Claims and other expenses paid	384 641	—	—	384 641
Distribution received	(203 721)	—	—	(203 721)
Cell captive cash flows	1 429 101	—	—	1 429 101
Total cash flows	(203 721)	—	—	(203 721)
Insurance contract assets as at 28 February 2023	4 306 793	(818 502)	(2 872 115)	616 176

Roll-forward of the CSM disaggregated between groups of insurance contracts measured under the MRA and those that are not for the year ended 28 February 2023.

R'000	Contracts written after transition	Contracts under MRA	Total CSM
CSM as at 1 March 2022	—	(2 195 240)	(2 195 240)
Changes that relate to current services			
CSM recognised for current service provided	167 256	479 329	646 585
Changes that relate to future services			
Contracts initially recognised in the period	(946 858)	—	(946 858)
Changes in estimates that adjust the CSM	8 802	(141 109)	(132 307)
	(770 800)	338 220	(432 580)
Interest accreted	(26 861)	(217 434)	(244 295)
Total changes in the income statement	(797 661)	120 786	(676 875)
CSM as at 28 February 2023	(797 661)	(2 074 454)	(2 872 115)

10. Insurance contract assets/(liabilities) continued

Funeral continued

The balance of the CSM as at 29 February 2024 is expected to unwind as follows:

R'000	<1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	5 to 10 years	>10 years
Opening balance	(3 390 806)	(3 002 256)	(2 700 067)	(2 440 462)	(2 216 020)	(2 021 293)	(1 278 039)
CSM released	709 661	603 703	546 667	502 411	462 707	1 808 490	2 825 645
Interest accretion	(321 111)	(301 514)	(287 062)	(277 969)	(267 980)	(1 065 236)	(1 547 606)
Closing balance	(3 002 256)	(2 700 067)	(2 440 462)	(2 216 020)	(2 021 293)	(1 278 039)	—

The balance of the CSM as at 28 February 2023 was expected to unwind as follows:

R'000	<1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	5 to 10 years	>10 years
Opening balance	(2 872 115)	(2 535 452)	(2 283 748)	(2 072 718)	(1 888 161)	(1 719 990)	(1 089 393)
CSM released	600 233	499 340	448 679	411 601	379 412	1 489 422	2 383 858
Interest accretion	(263 570)	(247 636)	(237 649)	(227 044)	(211 241)	(858 825)	(1 294 465)
Closing balance	(2 535 452)	(2 283 748)	(2 072 718)	(1 888 161)	(1 719 990)	(1 089 393)	—

The components of new business for funeral insurance policies issued are disclosed in the table below.

R'000	2024	2023
Estimate of present value of future cash outflows	(543 643)	(495 787)
Estimates of present value of future cash inflows	1 982 564	1 789 161
Risk adjustment for non-financial risk	(349 527)	(346 516)
Contractual service margin	(1 089 394)	(946 858)
Total income statement impact	—	—

No onerous contracts were issued during the current and prior years. No contracts were acquired during the current and prior years.

Credit life

Roll-forward of the net asset for credit life insurance contracts issued showing the asset for remaining coverage and the LIC. Included in the asset for remaining coverage is the investment balance in the cell captive of R1 641 million (2023: R1 861 million).

R'000	Asset for remaining coverage	Liability for incurred claims	Total asset
Insurance contract assets as at 1 March 2023	1 792 241	(437 683)	1 354 558
Insurance revenue			
Contracts under the MRA	1 627 637	—	1 627 637
Contracts written after transition	1 636 391	—	1 636 391
Insurance service expense			
Incurred claims and other expenses	—	(1 553 595)	(1 553 595)
Amortisation of insurance acquisition cash flows	(163)	—	(163)
Adjustment to liabilities for past claims	—	106 084	106 084
Insurance service result	3 263 865	(1 447 511)	1 816 354
Interest accreted	(60 718)	—	(60 718)
Effect of changes in interest rates and other financial assumptions	(3 912)	—	(3 912)
Net cell captive interest income	130 167	—	130 167
Insurance finance income/(expense)	65 537	—	65 537
Total changes in the income statement	3 329 402	(1 447 511)	1 881 891
Cash flows			
Premiums received	(3 274 939)	—	(3 274 939)
Claims and other expenses paid	—	1 436 416	1 436 416
Insurance acquisition cash flows paid	701	—	701
Distribution received	(1 875 000)	—	(1 875 000)
Cell captive cash flows	1 525 480	—	1 525 480
Total cash flows	(3 623 758)	1 436 416	(2 187 342)
Insurance contract assets as at 29 February 2024	1 497 885	(448 778)	1 049 107
Insurance contract assets as at 1 March 2022	1 128 180	(382 869)	745 311
Insurance revenue			
Contracts under the MRA	2 466 033	—	2 466 033
Contracts written after transition	737 659	—	737 659
Insurance service expense			
Incurred claims and other expenses	—	(1 623 584)	(1 623 584)
Adjustment to liabilities for past claims	—	119 117	119 117
Insurance service result	3 203 692	(1 504 467)	1 699 225
Interest accreted	(99 051)	—	(99 051)
Effect of changes in interest rates and other financial assumptions	(5 504)	—	(5 504)
Net cell captive interest income	71 641	—	71 641
Insurance finance income/(expense)	(32 914)	—	(32 914)
Total changes in the income statement	3 170 778	(1 504 467)	1 666 311
Cash flows			
Premiums received	(3 260 004)	—	(3 260 004)
Claims and other expenses paid	—	1 449 653	1 449 653
Distribution received	(1 057 064)	—	(1 057 064)
Cell captive cash flows	1 810 351	—	1 810 351
Total cash flows	(2 506 717)	1 449 653	(1 057 064)
Insurance contract assets as at 28 February 2023	1 792 241	(437 683)	1 354 558

10. Insurance contract assets/(liabilities) continued

Credit life continued

Roll-forward of the net asset for credit life insurance contracts issued showing the estimates of the present value of future cash flows, the RA and CSM. The investment in the cell captive is included within the estimates of the present value of future cash flows.

R'000	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin	Total asset
Insurance contract assets as at 1 March 2023	4 425 273	(692 866)	(2 377 849)	1 354 558
Changes that relate to current services				
CSM recognised for current service provided	—	—	1 236 715	1 236 715
RA recognised for the risk expired	—	247 342	—	247 342
Experience adjustments	226 213	—	—	226 213
Changes that relate to future services				
Contracts initially recognised in the period	977 256	(156 506)	(820 750)	—
Changes in estimates that adjust the CSM	563 475	(63 067)	(500 408)	—
Changes that relate to past services				
Adjusted to liabilities for past claims	54 335	51 749	—	106 084
Insurance service result	1 821 279	79 518	(84 443)	1 816 354
Interest accreted	232 321	(51 829)	(241 210)	(60 718)
Effect of changes in interest rates and other financial assumptions	(5 831)	1 919	—	(3 912)
Net cell captive interest income	130 167	—	—	130 167
Insurance finance income/(expense)	356 657	(49 910)	(241 210)	65 537
Total changes in the income statement	2 177 936	29 608	(325 653)	1 881 891
Cash flows				
Premiums received	(3 274 939)	—	—	(3 274 939)
Claims and other expenses paid	1 436 416	—	—	1 436 416
Insurance acquisition cash flows paid	701	—	—	701
Distribution from cell captive	(1 875 000)	—	—	(1 875 000)
Cell captive cash flows	1 525 480	—	—	1 525 480
Total cash flows	(2 187 342)	—	—	(2 187 342)
Insurance contract assets as at 29 February 2024	4 415 867	(663 258)	(2 703 502)	1 049 107

Roll-forward of the CSM disaggregated between groups of insurance contracts measured under the MRA and those that are not for the year ended 29 February 2024.

R'000	Contracts written after transition	Contracts under MRA	Total CSM
CSM as at 1 March 2023	(848 336)	(1 529 513)	(2 377 849)
Changes that relate to current services			
CSM recognised for current service provided	625 117	611 598	1 236 715
Changes that relate to future services			
Contracts initially recognised in the period	(820 750)	—	(820 750)
Changes in estimates that adjust the CSM	(363 001)	(137 407)	(500 408)
	(558 634)	474 191	(84 443)
Interest accreted	(97 414)	(143 796)	(241 210)
Total changes in the income statement	(656 048)	330 395	(325 653)
CSM as at 29 February 2024	(1 504 384)	(1 199 118)	(2 703 502)

R'000	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin	Total asset
Insurance contract assets as at 1 March 2022	3 406 430	(630 114)	(2 031 005)	745 311
Changes that relate to current services				
CSM recognised for current service provided	—	—	1 175 686	1 175 686
RA recognised for the risk expired	—	247 981	—	247 981
Experience adjustments	156 441	—	—	156 441
Changes that relate to future services				
Contracts initially recognised in the period	1 230 911	(277 072)	(953 839)	—
Changes in estimates that adjust the CSM	410 623	(55 031)	(355 592)	—
Changes that relate to past services				
Adjustment to liabilities for past claims	66 096	53 021	—	119 117
Insurance service result	1 864 071	(31 101)	(133 745)	1 699 225
Interest accreted	147 999	(33 951)	(213 099)	(99 051)
Effect of changes in interest rates and other financial assumptions	(7 804)	2 300	—	(5 504)
Net cell captive interest income	71 641	—	—	71 641
Insurance finance income/(expense)	211 836	(31 651)	(213 099)	(32 914)
Total changes in the income statement	2 075 907	(62 752)	(346 844)	1 666 311
Cash flows				
Premiums received	(3 260 004)	—	—	(3 260 004)
Claims and other expenses paid	1 449 653	—	—	1 449 653
Distribution from cell captive	(1 057 064)	—	—	(1 057 064)
Cell captive cash flows	1 810 351	—	—	1 810 351
Total cash flows	(1 057 064)	—	—	(1 057 064)
Insurance contract assets as at 28 February 2023	4 425 273	(692 866)	(2 377 849)	1 354 558

Notes to the financial statements continued

Year ended 29 February 2024

10. Insurance contract assets/(liabilities) continued

Credit life continued

Roll-forward of the CSM disaggregated between groups of insurance contracts measured under the MRA and those that are not for the year ended 28 February 2023.

R'000	Contracts written after transition	Contracts under MRA	Total CSM
CSM as at 1 March 2022	—	(2 031 005)	(2 031 005)
Changes that relate to current services			
CSM recognised for current service provided	275 039	900 647	1 175 686
Changes that relate to future services			
Contracts initially recognised in the period	(953 839)	—	(953 839)
Changes in estimates that adjust the CSM	(140 452)	(215 140)	(355 592)
	(819 252)	685 507	(133 745)
Interest accreted	(29 084)	(184 015)	(213 099)
Total changes in the income statement	(848 336)	501 492	(346 844)
CSM as at 28 February 2023	(848 336)	(1 529 513)	(2 377 849)

The balance of the CSM as at 29 February 2024 is expected to unwind as follows:

R'000	<1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	5 to 10 years	>10 years
Opening balance	(2 703 502)	(1 924 680)	(1 412 163)	(1 066 130)	(827 492)	(656 985)	(239 995)
CSM released	1 026 251	703 504	498 375	364 866	275 945	719 034	410 167
Interest accretion	(247 429)	(190 987)	(152 342)	(126 228)	(105 438)	(302 044)	(170 172)
Closing balance	(1 924 680)	(1 412 163)	(1 066 130)	(827 492)	(656 985)	(239 995)	—

The balance of the CSM as at 28 February 2023 was expected to unwind as follows:

R'000	<1 year	1-2 years	2-3 years	3-4 years	4-5 years	5-10 years	>10 years
Opening balance	(2 377 849)	(1 605 389)	(1 150 511)	(868 300)	(680 032)	(543 961)	(193 631)
CSM released	978 815	606 173	400 758	284 927	216 111	588 347	324 006
Interest accretion	(206 355)	(151 295)	(118 547)	(96 659)	(80 040)	(238 017)	(130 375)
Closing balance	(1 605 389)	(1 150 511)	(868 300)	(680 032)	(543 961)	(193 631)	—

The components of new business for credit life insurance policies issued are disclosed in the table below.

R'000	2024	2023
Estimate of present value of future cash outflows, excluding insurance acquisition cash flows	(850 208)	(1 686 312)
Estimates of insurance acquisition cash flows	(4 624)	—
Estimate of present value of future cash outflows	(854 832)	(1 686 312)
Estimates of present value of future cash inflows	1 832 088	2 917 223
Risk adjustment for non-financial risk	(156 506)	(277 072)
Contractual service margin	(820 750)	(953 839)
Total income statement impact	—	—

No onerous contracts were issued during the current and prior years. No contracts were acquired during the current and prior years.

Critical estimates and judgements

Critical estimates and judgements concerning the carrying amounts of insurance assets and liabilities are those that, within the next 12 months, have a risk of resulting in a material change to the group's financial statements. The group based its assumptions, estimates and judgements on parameters available at the time when the financial statements were prepared.

Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the company. Such changes are reflected in the assumptions when they occur.

Estimates of future cash flows

The group uses deterministic projections to estimate the present value of future cash flows. The following assumptions were used when estimating future cash flows:

Mortality and morbidity rates

Experience analysis is used to derive the mortality and morbidity assumptions. These assumptions are reviewed annually considering the most recent experience. Changes are made to the mortality and morbidity assumptions where it is likely that experience will persist in the future.

The group uses an internally constructed mortality table when deriving mortality and morbidity assumptions. The internal curve is constructed using 5 years of historical mortality experience from June 2018 to May 2023, stripping out the impact of COVID-19 on mortality. An internally constructed table is used because it more accurately reflects the group's experience and considers recent trends in mortality.

Expenses

Attributable expense assumptions reflect the projected costs of maintaining and servicing in-force policies and associated overhead expenses. The projected expense cash flows allow for expected inflation if appropriate. Expenses incorporate information from the annual business plans, which include estimates of future expenses expected to be incurred.

The cash flows within the contract boundary include an allocation of fixed and variable overheads directly attributable to fulfilling insurance contracts. Such overheads are allocated to groups of contracts using methods that are systematic and rational, and are consistently applied to all costs that have similar characteristics.

For the in-substance reinsurance agreements issued, expense assumptions are based on the third-party cell captive agreements.

Lapse rates

Lapses relate to the termination of policies due to non-payment of premiums or voluntary termination of policies by policyholders. Lapse rates are determined using statistical measures based on the group's recent experience and vary by product type, policy duration and the risk category (credit life insurance only) used in pricing.

Retrenchment rates

Retrenchment relates to the policyholder suffering a loss of employment or the inability to earn an income. The retrenchment rates are determined using statistical measures based on the group's recent experience. The assumption for credit life insurance varies by the risk category used in pricing.

Liability for incurred claims

A LIC is set up to cover the ultimate cost of settling all claims incurred in the past but unpaid at the reporting date plus an RA. The group's approach is to separately calculate the LIC for each risk decrement, i.e. death, permanent disability, temporality disability, retrenchment lump sum and retrenchment monthly instalment.

The group applies the Bornhuetter-Ferguson method to estimate the ultimate cost of settling all claims incurred. This technique uses a combination of the historical claim payment patterns and the expected loss ratio to determine the total expected claims related to claims that have already been incurred.

The main assumption underlying this technique is that the group's past claims development experience can be used to project future claims development and hence ultimate claims costs.

Notes to the financial statements continued

Year ended 29 February 2024

10. Insurance contract assets/(liabilities) continued

Critical estimates and judgements continued

Estimates of future cash flows continued

Discount rates

Insurance contract assets and liabilities are calculated by discounting expected future cash flows at a risk-free rate. The risk-free rate was determined by reference to the nominal government bond yield curves published by the PA. The PA publishes the risk-free rates. All insurance products use the same risk-free forward rate.

Management uses judgement to assess liquidity characteristics of the asset/liability cash flows. The group's insurance contracts are not considered to be less liquid than the financial assets used to derive the risk-free forward yield curve. As such, the group did not adjust the risk-free forward yield for an iliquidity premium. The group also did not make any other adjustments to the risk-free yield. The table set out below contains the risk-free forward rates used.

	Portfolio duration									
	1 year		3 years		5 years		10 years		20 years	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Risk-free forward curve (%)	8.3	8.3	10.6	9.1	12.4	12.6	16.4	14.6	12.5	13.5

Risk adjustment for non-financial risk

The main sources of non-financial risk are mortality risk and lapse risk. Other risks included in the RA are disability, expenses and retrenchment. The group has estimated the RA using a Value at Risk methodology (VaR). The VaR requires the group to compute the reduction in profits that it can possibly incur on the insurance book at a confidence level that meets the risk appetite.

The RA for insurance contracts corresponds to an 80% confidence level (2023: 80%). The RA is applied to both the LFRC and the LIC.

Coverage units

For groups of insurance contracts, the quantity of benefits is the contractually agreed sum assured over the period of the contracts. The coverage units for the current period are based on the actual coverage units for the current period. The coverage units for the future periods are based on the discounted value of the expected coverage units over the remaining expected coverage period after allowing for reassessments at the end of the current period.

Model and assumption changes

During the current year, the group implemented the following model and assumption changes:

- The RA has been recalibrated in the current year to allow for the current business mix, resulting in an increase in the risk adjustment for the funeral business relative to the credit life business
- The change in estimates of the present value of future cash flows that adjusted the contractual service margin for credit life insurance includes the impact of improved modelling of credit repayments and aligning the valuation basis to actual experience for the year.

Risk management

Insurance risk

The group is exposed to insurance risk through its 2 third-party cell captive agreements as well as through the writing of insurance contracts on its own licence. The funeral policies written in the cell captive are reinsured by way of the cell captive holding a reinsurance contract with a reinsurer. The group does not hold any reinsurance on the credit life policies.

The insurance risk on the polices is twofold:

- The risk that the group has insufficient capital to settle valid claims made by policyholders
- The group has a contractual obligation to maintain the solvency of the cell captives and ensure that sufficient capital exists to meet their obligations.

Risk governance

The board of directors of the group is ultimately responsible for risk management. To assist the board with the responsibility, risk is managed through a system of internal controls functioning throughout the group. Risk awareness pervades every aspect of the business and is the responsibility of each employee of the group.

The RCMC of Capitec Bank Limited, a fellow subsidiary, which includes 3 independent non-executive directors, operates in compliance with a formal charter. The committee assists the board in reviewing the processes followed to identify risk and assesses their impact on the group.

The group sells insurance business through its own licence, via Capitec Life Limited, and through a licensed third-party funeral cell captive agreement. It also has in-force credit life insurance business with a third-party cell captive insurer, which is expected to transfer to Capitec Life Limited during the next financial year.

Capitec Life's board of directors is assisted by the audit, risk and capital management committee to fulfil its oversight duties over financial resources, capital management and policies that are underwritten by Capitec Life. The insurance asset and liability committee reviews and approves product pricing from a management perspective. Additionally, pricing is subject to approval by the head of the actuarial function.

The licensed cell captive insurers both have robust corporate governance and regulatory frameworks in place to manage insurance risk. The cell captive insurers have the following subcommittees in place which govern and challenge inputs, models and results of valuations:

- Audit and risk committees
- Risk management function
- Internal audit function
- Compliance function
- Actuarial control function.

The licensed cell captive insurers perform various functions, including (but not limited to) premium rating, capital and reserving requirements and risk mitigating strategies.

Senior management of the group actively monitor and review the work performed by the licensed cell captive insurers. Items such as monthly results, premium turnover, claims experience, solvency and provision calculations are discussed and debated in detail to ensure that they are reasonable and align with the group's risk appetite. Any material changes to calculations and/or identified risks are summarised and presented to the RCMC.

General risk management

The insurance risk is broadly managed in 2 key processes:

- The pricing of the insurance business
- Management of the in-force book.

Product design and pricing

The group ensures that the insurance portfolio is priced correctly and understood in detail by following the steps below:

- Rigorous and proactive risk management ensures sound product design and accurate pricing. This includes:
  - challenging assumptions, methodologies and results
  - debating and challenging product relevance, the target market, market competitiveness and treating clients fairly
  - identifying potential risk
  - thoroughly reviewing policy terms and conditions
- Risk-based pricing is applied and the mix of business by channel is also monitored
- Maintaining the appropriate reinsurance cover where necessary is an important component of the pricing and product design to keep the insurance risk within appetite.

Notes to the financial statements continued

Year ended 29 February 2024

10. Insurance contract assets/(liabilities) continued

Risk management continued

Management of the in-force book

The group assesses and manages the insurance risk relating to the in-force book as follows:

- Monitoring and reporting claims experience by considering incidence rates and claims ratios
- The actuarial valuation process involves the long-term projection of expected future cash flows arising from in-force policies and the setting up of insurance liabilities
- Experience investigations are performed annually to understand the actual experience compared to the basis used in valuations and pricing. These investigations are signed off by the head of the actuarial function. Where required, changes are made to pricing and product design
- Asset liability management is performed to ensure that the assets backing insurance liabilities are appropriate and liquid
- Stress and scenario analyses are performed and provide insights into the insurance risk and future capital position.

Assessment and management

The assessment and management of insurance risk is influenced by the frequency and severity of claims, especially to the extent that claims paid are more frequent and/or greater than originally estimated. The group manages insurance risk through monitoring incidence rates, claims ratios and the business mix.

Detailed risk management per risk type

Insurance risk is the risk of losses due to experience being different from the assumptions used in pricing or reserving such as severity, frequency, trend, volatility or level of occurrence rates. The insurance products expose the group to insurance risks such as:

Mortality (death) and morbidity risk

The risk that mortality and morbidity rates and the associated cash flows are different from those assumed is managed as follows:

- Monitoring of trends and experience of the insurance portfolio
- Validation and fraud checks are performed at the claim stage to ensure only valid claims in line with the terms and conditions of the policy are paid.

Retrenchment risk

The risk that retrenchment rates and the associated cash flows are different from those assumed is managed as follows:

- Identification of retrenchment risk is controlled by the bank's credit scoring
- Monitoring of trends and experience of the insurance portfolio
- Validation and fraud checks are performed at the claim stage to ensure only valid claims in line with the terms and conditions are paid.

Catastrophe risk

The risk that stems from extreme or irregular events contingent on mortality, morbidity or retrenchment whose effects are not expected. The risk is managed as follows:

- Monitoring of trends and experience of the insurance portfolio.

Lapse and cancellation risk

The risk that lapse rates and the associated cash flows are different from those assumed as well as the risk of mass lapse is managed as follows:

- Lapse, cancellation and collection rates are regularly reviewed to ensure they remain optimal.

Expense risk

The risk that expense and/or expense inflation is different from that assumed in pricing and valuations. It is managed through the group's rigorous budgeting process.

The insurance risk for credit life contracts is primarily linked to credit risk which is disclosed in detail in note 8.

Exposure by sum assured

The tables below demonstrate the insurance exposure by sum assured. For in-substance reinsurance contracts issued, the group applied a look-through approach detailing the sum assured gross of any reinsurance.

Total exposure by size of sum assured for funeral plan insurance

	Age of life insured					
	0 to 18		19 to 65		>65	
Funeral plan sum assured at risk	Balance R'000	%	Balance R'000	%	Balance R'000	%
2024						
R0 – R50 000	**92 908 003**	**98.4**	**179 805 444**	**73.0**	**16 387 635**	**98.0**
R50 001 – R100 000	**1 481 961**	**1.6**	**66 345 583**	**27.0**	**339 578**	**2.0**
Total sum assured	**94 389 964**	**100.0**	**246 151 027**	**100.0**	**16 727 213**	**100.0**
2023						
R0 – R50 000	75 077 126	98.3	142 587 541	72.8	12 434 095	98.4
R50 001 – R100 000	1 298 153	1.7	53 372 932	27.2	198 536	1.6
Total sum assured	76 375 279	100.0	195 960 473	100.0	12 632 631	100.0

Total exposure by sum assured for credit life insurance

	Death		Retrenchment		Permanent disability		Temporary disability	
Retail sums assured at risk	Balance R'000	%	Balance R'000	%	Balance R'000	%	Balance R'000	%
2024								
R0 – R50 000	**21 016 606**	**28.5**	**20 582 714**	**32.8**	**21 016 606**	**28.5**	**23 337 936**	**58.1**
R50 001 – R100 000	**15 859 436**	**21.5**	**16 688 886**	**26.6**	**15 859 436**	**21.5**	**15 138 196**	**37.7**
R100 001 – R150 000	**13 216 602**	**18.0**	**13 745 873**	**21.9**	**13 216 602**	**18.0**	**1 607 335**	**4.0**
R150 001 – R200 000	**11 365 309**	**15.4**	**9 269 422**	**14.7**	**11 365 309**	**15.4**	**72 700**	**0.2**
R200 001 – R250 000	**7 964 385**	**10.8**	**1 884 331**	**3.0**	**7 964 385**	**10.8**	**14 765**	**—**
>R250 000	**4 297 093**	**5.8**	**666 800**	**1.0**	**4 297 093**	**5.8**	**8 645**	**—**
Total sum assured	**73 719 431**	**100.0**	**62 838 026**	**100.0**	**73 719 431**	**100.0**	**40 179 577**	**100.0**
Restated 2023								
R0 – R50 000	20 842 680	27.6	20 566 847	31.6	20 842 680	27.6	23 692 288	58.0
R50 001 – R100 000	16 343 279	21.6	17 384 533	26.7	16 343 279	21.6	15 840 886	38.8
R100 001 – R150 000	13 540 762	17.9	14 469 840	22.3	13 540 762	17.9	1 230 299	3.0
R150 001 – R200 000	11 824 320	15.6	10 463 607	16.1	11 824 320	15.6	68 675	0.2
R200 001 – R250 000	9 680 263	12.8	1 653 444	2.5	9 680 263	12.8	12 566	—
>R250 000	3 401 627	4.5	504 080	0.8	3 401 627	4.5	4 073	—
Total sum assured	75 632 931	100.0	65 042 351	100.0	75 632 931	100.0	40 848 787	100.0

The insurance exposure is based on the outstanding loan balance that is payable on the occurrence of an insured event. With the adoption of IFRS 17 for the annual reporting period beginning on 1 March 2023, the group has developed and implemented best estimate liability valuation models. These models require enriched policyholder data, applying definitions consistent with the requirements of IFRS 17, including but not limited to initial recognition, subsequent measurement and derecognition. The total exposure per sum assured has been restated to be consistent with these data requirements to ensure consistency with insurance contract measurement.

Notes to the financial statements continued

Year ended 29 February 2024

10. Insurance contract assets/(liabilities) continued

Risk management continued

Interest rate risk

The group is exposed to interest rate risk on insurance contracts. Fulfilment cash flows are measured using current discount rates, and changes in the carrying amount of groups of contracts due to changes in discount rates are recognised in profit or loss. The underlying cell captive investments, which consist of cash and money market funds, are exposed to interest rate risk. The impact of changes in interest rates is included in the sensitivity analysis.

The group monitors exposure to interest rate risks by performing regular scenario analysis and comparing results to internal thresholds. The current exposure is considered within the internally determined thresholds. Should thresholds be approached, management will respond with an appropriate strategy, which could include financial hedging strategies or alternative reporting measures which isolate temporary volatility in the results.

Liquidity risk

Capital and liquidity management

Capital and liquidity management is governed by a capital management policy setting out requirements pertaining to capital management, liquidity management, investment and asset liability management. The Insurance business division has its own ALCO which meets monthly and provides oversight over these matters.

The group's licensed insurer, Capitec Life Limited, performs quarterly as well as annual reporting of its solvency position on the regulatory basis (as set out in the Prudential Standards and Financial Soundness Standards for Insurers) to the PA, in line with regulatory requirements.

Capital and liquidity levels are monitored against targets to ensure that appropriate management action is taken within acceptable time frames to maintain capital and liquidity at acceptable levels.

Capitec Life Limited conducts an own risk and solvency assessment on an annual basis.

Claims development tables

The following tables show the estimates of cumulative incurred claims, including both reported but not yet paid and incurred but not yet reported for each successive event year at each reporting date, together with cumulative payments to date.

As required by IFRS 17 *Insurance Contracts*, in setting claims provisions, the group gives consideration to the probability and magnitude of future experience being more adverse than assumed which is reflected in the RA. In general, the uncertainty associated with the ultimate cost of settling claims is greatest when the claim is at an early stage of development. As claims develop, the ultimate cost of claims becomes more certain.

Credit life insurance – undiscounted liabilities for incurred claims

R'000	Event year 2023	Event year 2024	Total
2024			
Estimate of ultimate claims cost (undiscounted)			
At the end of the event year	842 730	871 473	
1 year later	785 575	—	
Cumulative claims and other directly attributable expenses paid	(719 216)	(513 729)	(1 232 945)
Gross cumulative claims liabilities – event years from 2023 and 2024	66 359	357 744	424 103
Cumulative claims liabilities – prior event years			170
Effect of the RA			24 505
Total gross liabilities for incurred claims			**448 778**

R'000	Event year 2022	Event year 2023	Total
2023			
Estimate of ultimate claims cost (undiscounted)			
At the end of the event year	789 029	842 730	
1 year later	875 927	—	
Cumulative claims and other directly attributable expenses paid	(825 959)	(484 821)	(1 310 780)
Gross cumulative claims liabilities – event years from 2022 and 2023	49 968	357 909	407 877
Cumulative claims liabilities – prior event years			2 323
Effect of the RA			27 483
Total gross liabilities for incurred claims			**437 683**

Sensitivities

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, detailing the impact on profit after tax and equity. The correlation of variables will have a significant effect in determining the ultimate impact of interest rate risk, but to demonstrate the impact due to changes in assumptions, assumptions have been changed on an individual basis.

R'000	Change in assumptions %	Impact on profit after tax	Impact on equity
2024			
Mortality rates	10	(127 927)	(127 927)
Morbidity rates	10	(5 259)	(5 259)
Lapse and cancellation rates: Increase	10	(3 793)	(3 793)
Lapse and cancellation rates: Decrease	(10)	6 078	6 078
Retrenchment rate	10	(24 980)	(24 980)
Expenses	10	(7 212)	(7 212)
Valuation discount rate: Increase	1	(2 145)	(2 145)
Valuation discount rate: Decrease	(1)	1 281	1 281
2023			
Mortality rates	10	(144 254)	(144 254)
Morbidity rates	10	(2 579)	(2 579)
Lapse and cancellation rates: Increase	10	8 638	8 638
Lapse and cancellation rates: Decrease	(10)	(8 722)	(8 722)
Retrenchment rate	10	(26 291)	(26 291)
Expenses	10	(10 769)	(10 769)
Valuation discount rate: Increase	1	(13 844)	(13 844)
Valuation discount rate: Decrease	(1)	11 096	11 096

An increase in mortality, morbidity, expense and retrenchment rates results in a reduction in profit and equity, while the other sensitivities could either reduce or increase profit and equity depending on the economic conditions and business profiles.

Notes to the financial statements continued

Year ended 29 February 2024

10. Insurance contract assets/(liabilities) continued

Risk management continued

Cell captive counterparty credit risk

The group is exposed to counterparty credit risk through its investment in the cell captives. The table below details the investment balance, cell insurer and corresponding credit rating.

R'000	Investment balance	Credit rating
2024		
Centriq Life Insurance Company Limited (Sanlam Limited)	3 652 709	Ba1 to Ba3
Guardrisk Life Limited (Momentum Metropolitan Holdings Limited)	1 641 435	Ba1 to Ba3
2023		
Centriq Life Insurance Company Limited (Sanlam Limited)	1 813 585	Ba1 to Ba3
Guardrisk Life Limited (Momentum Metropolitan Holdings Limited)	1 860 788	Ba1 to Ba3

11. Financial assets – equity instruments at FVOCI

	GROUP		
R'000	African Bank Holdings Limited	SWIFT	Total
2024			
Balance at the beginning of the year	69 340	4 540	73 880
Fair value adjustment	—	8 535	8 535
Total financial assets – equity instruments at FVOCI[1]	69 340	13 075	82 415
2023			
Balance at the beginning of the year	69 340	3 340	72 680
Fair value adjustment	—	1 200	1 200
Total financial assets – equity instruments at FVOCI[1]	69 340	4 540	73 880

[1] *Financial assets – equity instruments at FVOCI have been disaggregated to reflect the nature of the investments. The comparatives have been updated to reflect this disaggregation.*

Accounting policies

Financial assets at FVOCI comprise unlisted equity securities which are not held for trading and which the group has irrevocably elected at initial recognition to recognise in this category because they are strategic investments. The group holds an equity instrument in African Bank Holdings Limited. The group is a participant in a consortium that recapitalised African Bank Holdings Limited. The other members of the consortium comprise the Public Investment Corporation and 5 other South African banks.

The group also holds an equity investment in the Society for Worldwide Interbank Financial Telecommunication (SWIFT), the global cooperative that facilitates international banking transactions of which almost all banks worldwide are members.

The group's election results in fair value gains and losses being recognised in other comprehensive income and not subsequently being reclassified to profit or loss, including on disposal. Impairment losses and reversals of impairment losses are not reported separately from other changes in fair value.

Dividends, when representing a return on these investments, continue to be recognised through profit or loss when the group's right to receive such payments is established.

The cash flows are classified as investing activities.

Measurement

The fair value of financial assets that are not listed or quoted in an active market is determined using valuation techniques.

12. Interest in subsidiaries, associates and joint ventures

Interest in subsidiaries

	COMPANY	
R'000	2024	2023
Interest in subsidiaries		
Investment in unlisted subsidiaries at cost	6 212 518	6 018 182
Capitec Bank Limited		
Opening balance	5 726 182	5 728 425
Preference shares repurchased	(5 664)	(2 243)
Total interest in Capitec Bank Limited	5 720 518	5 726 182
Capitec Ins Proprietary Limited		
Opening balance	108 000	108 000
Interest acquired	—	—
Total interest in Capitec Ins Proprietary Limited	108 000	108 000
Capitec Insurance Holdings Proprietary Limited		
Opening balance	184 000	184 000
Interest acquired[1]	200 000	—
Total interest in Capitec Insurance Holdings Proprietary Limited	384 000	184 000
Total interest in subsidiaries	6 212 518	6 018 182

[1] *1 ordinary share was acquired during the year at a cost of R200 million.*

Investments in subsidiaries

Subsidiaries	Domicile	Holding	Direct/ Indirect	Nature of business
Capitec Bank Limited[1]	South Africa	100% (2023: 100%)	Direct	Banking
Capitec Properties Proprietary Limited[2]	South Africa	100% (2023: 100%)	Direct	Property
Capitec Ins Proprietary Limited	South Africa	100% (2023: 100%)	Direct	Investment holding – insurance cell captives
Capitec Insurance Holdings Proprietary Limited	South Africa	100% (2023: 100%)	Direct	Investment holding – insurance
Capitec Bank Holdings Share Trust[2]	South Africa	Nil (100% effective interest) (2023: Nil (100% effective interest))	Direct	Share incentive trust
Capitec Bank Group Employee Empowerment Trust	South Africa	Nil (100% effective interest) (2023: Nil (100% effective interest))	Direct	Employee empowerment trust
Capitec Life Limited	South Africa	100% (2023: 100%)	Indirect	Holder of life insurance licence
Capitec Rental Finance Proprietary Limited	South Africa	100% (2023: 100%)	Indirect	Rental finance
CB Employee Holdings Proprietary Limited	South Africa	100% (2023: 100%)	Indirect	Investment holding
Capitec Foundation Trust	South Africa	Nil (100% effective interest) (2023: Nil (100% effective interest))	Indirect	Corporate social investment

[1] *All holdings are in the ordinary and preference share capital of the subsidiaries.*
[2] *The carrying amount of the investments in Capitec Properties Proprietary Limited and Capitec Bank Holdings Share Trust is R1 000 or less.*

All material subsidiaries were reviewed in the current year for indicators of impairment. Indicators of impairment would be, for example, loss-making and/or negative net asset value. No indicators were noted, which is aligned to the prior year.

Notes to the financial statements continued

Year ended 29 February 2024

12. Interest in subsidiaries, associates and joint ventures continued

Interest in associates and joint ventures

R'000	GROUP 2024	GROUP 2023	COMPANY 2024	COMPANY 2023
Interest in associates and joint ventures				
Investment in associates and joint ventures	727 056	600 068	308 073	242 391
Avafin Holdings Limited				
Opening balance	332 101	222 722	217 391	217 391
Share of profit	61 227	63 207	—	—
Impairment reversal of investment in associate	—	—	65 682	—
Foreign currency translation reserve	23 964	46 172	—	—
Total interest in Avafin Holdings Limited	417 292	332 101	283 073	217 391
Praelexis Proprietary Limited				
Opening balance	21 321	22 031	25 000	25 000
Share of loss	(803)	(710)	—	—
Total interest in Praelexis Proprietary Limited	20 518	21 321	25 000	25 000
Interest in joint ventures				
Imvelo Ventures Proprietary Limited				
Opening balance	246 646	149 593	—	—
Interest acquired[1]	31 900	61 800	—	—
Share of profit	10 700	35 253	—	—
Total interest in Imvelo Ventures Proprietary Limited	289 246	246 646	—	—
Total interest in associates and joint ventures	727 056	600 068	308 073	242 391
Share of net profit of associates and joint ventures	71 124	97 750	—	—

[1] *Class B ordinary shares were acquired during the year at a cost of R31.9 million (2023: R61.8 million).*

Avafin's share of profit relates to the period 1 January 2023 to 31 December 2023. These numbers are the audited numbers and due to Capitec's stringent reporting timeline, there is a timing difference of 2 months, however, their results are for a 12-month period and the changes after December 2023 are not material to the group.

Investments in associate companies

Associates/joint ventures	Domicile	Holding	Nature of business
Avafin Holdings Limited	Cyprus	40.66% (2023: 40.86%)	Lending
Praelexis Proprietary Limited	South Africa	33.33% (2023: 33.33%)	Artificial intelligence
Imvelo Ventures Proprietary Limited	South Africa	49.00% (2023: 49.00%)	Broad-based black economic empowerment (B-BBEE) investment

Impairment recognition

R'000	GROUP 2024	GROUP 2023	COMPANY 2024	COMPANY 2023
Avafin Holdings Limited				
Income statement				
Revenue	1 967 427	1 201 279	1 967 427	1 201 279
Interest income	43 803	23 818	43 803	23 818
Interest expense	(5 328)	(4 172)	(5 328)	(4 172)
Depreciation and amortisation	(44 790)	(45 214)	(3 336)	(45 214)
Income tax expense	(76 885)	(57 953)	(76 885)	(57 953)
Profit from continuing operations after tax	159 665	144 645	159 665	144 645
Other comprehensive income	26 644	(3 469)	26 644	(3 469)
Total comprehensive income	186 309	141 176	186 309	141 176
Reconciliation to carrying amounts				
Non-current assets	410 868	331 303	410 868	331 303
Current assets	1 901 026	1 273 709	1 901 026	1 273 709
Cash and cash equivalents	399 108	258 241	399 108	258 241
Non-current liabilities	(312 319)	(215 118)	(312 319)	(215 118)
Non-current liabilities (excluding trade payables and provisions)	(312 319)	(215 118)	(312 319)	(215 118)
Current liabilities	(1 343 377)	(945 382)	(1 343 377)	(945 382)
Current liabilities (excluding trade payables and provisions)	(1 120 670)	(817 119)	(1 120 670)	(817 119)
Net assets at 100%	656 198	444 512	656 198	444 512
The group's share of net assets at acquisition	86 713	86 713	86 713	86 713
Difference in initial cost versus share of net assets acquired	196 360	196 360	196 360	196 360
Cost of investment in Avafin Holdings Limited	283 073	283 073	283 073	283 073
Cumulative share of profit and foreign currency translation reserve	256 421	171 230	—	—
Cumulative impairment of investment in associate	(122 202)	(122 202)	—	(65 682)
Carrying amount of investment in Avafin Holdings Limited	417 292	332 101	283 073	217 391

12. Interest in subsidiaries, associates and joint ventures continued

Impairment recognition continued

R'000	GROUP 2024	GROUP 2023	COMPANY 2024	COMPANY 2023
Praelexis Proprietary Limited				
Income statement				
Revenue	**34 977**	37 865	**36 084**	37 865
(Loss)/Profit from continuing operations after tax	**(2 424)**	1 401	**(2 424)**	1 401
Total comprehensive (loss)/income	**(2 424)**	1 401	**(2 424)**	1 401
Reconciliation to carrying amounts				
Non-current assets	**3 080**	1 569	**3 899**	1 569
Current assets	**18 002**	23 340	**18 002**	23 340
Current liabilities	**(1 340)**	(1 928)	**(1 328)**	(1 928)
Net assets at 100%	**20 573**	22 981	**20 573**	22 981
The group's share of net assets at acquisition	**11 374**	11 374	**11 374**	11 374
Difference in initial cost versus share of net assets acquired	**13 626**	13 626	**13 626**	13 626
Cost amount of investment in Praelexis Proprietary Limited	**25 000**	25 000	**25 000**	25 000
Cumulative share of loss	**(4 482)**	(3 679)	**–**	–
Carrying amount of investment in Praelexis Proprietary Limited	**20 518**	21 321	**25 000**	25 000
Imvelo Ventures Proprietary Limited				
Income statement				
Revenue	**23 106**	17 579	**–**	–
Interest income[(1)]	**799**	1 133	**–**	–
Interest expense[(1)]	**1 800**	83	**–**	–
Depreciation and amortisation[(1)]	**142**	55	**–**	–
Income tax expense	**(9 217)**	5 138	**–**	–
Profit/(Loss) from continuing operations after tax	**30 517**	(5 371)	**–**	–
Total comprehensive income	**30 517**	(5 371)	**–**	–
Reconciliation to carrying amounts				
Non-current assets	**403 843**	320 140	**–**	–
Current assets	**257**	814	**–**	–
Cash and cash equivalents	**12**	442	**–**	–
Non-current liabilities	**(18 000)**	(25 328)	**–**	–
Current liabilities	**(40 682)**	(1 853)	**–**	–
Net assets at 100%	**345 418**	293 773	**–**	–
The group's share of net assets at acquisition	**82 073**	82 073	**–**	–
Difference in initial cost versus share of net assets acquired	**144 129**	112 229	**–**	–
Cost of investment in Imvelo Ventures Proprietary Limited	**226 202**	194 302	**–**	–
Cumulative share of profit	**63 044**	52 344	**–**	–
Carrying amount of investment in Imvelo Ventures Proprietary Limited	**289 246**	246 646	**–**	–

[(1)] *Interest income, interest expense and depreciation and amortisation have been included to enhance disclosures. Comparatives have been amended.*

There are no indicators of impairment as at 29 February 2024.

Critical accounting judgements in applying accounting policies

Valuation of investments in associates: Avafin Holdings Limited (Avafin)

The group considered the economic environment in which Avafin operates to be an indicator of potential impairment in terms of IAS 36 *Impairment of Assets*. Avafin is an associate, located in Cyprus, with subsidiaries based in a number of European and North American countries.

The group tested the carrying amount of its investment in Avafin by comparing it to the recoverable amount based on the fair value less cost of disposal methodology.

The fair value less cost of disposal is calculated using a dividend discount model taking into account dividend flows for the 10-year forecast period. A terminal value is determined using the Gordon's Growth Model.

Each country within the Avafin group is affected by different factors such as government regulations, markets, economic and legal environments, and each country's future cash flows are determined using the most appropriate method taking into consideration the factors that specifically affect it. The impact of the global geopolitical tension on the financial performance was taken into account by adjusting future cash flows based on actual performance over the recent impacted period.

The future dividend cash flows were discounted using the expected rate of return. The expected rate of return was calculated using the capital asset pricing model (CAPM).

The exchange rate as at 29 February 2024 was applied to determine the rand value. A comparison of the recoverable amount and the carrying value of the investment did not indicate an impairment, or the reversal of any prior impairment.

In the Capitec Bank Holdings Limited company financial statements, all prior year impairments were reversed based on the fair value less cost of disposal calculated above.

The table below sets out the key assumptions and related stress. The rates consider that this investment is in euro.

Key assumptions	Value	Stressed value
2024		
Net growth rate (%)	**10.3**	**10.1 – 10.5**
Dividend payout rate (%)	**92.7**	**80 – 100**
Beta coefficient	**1.10**	**1.08 - 1.12**
Terminal growth rate (%)	**2.5**	**2.3 – 2.7**
CAPM discount rate (%)	**11.2**	**11.1 - 11.3**
2023		
Net growth rate (%)	2.9	2.7 – 3.1
Dividend payout rate (%)	93.3	80 – 100
Beta coefficient	1.07	1.05 – 1.09
Terminal growth rate (%)	2.9	2.7 – 3.1
CAPM discount rate (%)	11.3	11.0 – 11.6

In the fair value hierarchy, these unobservable inputs would be described as level 3.

Based on the assumptions above, the fair value less cost of disposal of the investment was calculated by applying Capitec's shareholding (40.66%) and the exchange rate as at financial year-end.

The increase in the net growth rate is as a result of current year experience in the business as well as positive forecasted future cash flows. An improvement in recent underlying cash flows was not fully incorporated in the forward-looking expectations. The geopolitical situation in Eastern Europe remains complex and volatile. The group continues to monitor this closely. Stress of any one of the key assumptions as per the table above would not have resulted in a difference of more than R20 million to the recoverable amount (2023: R14 million).

Notes to the financial statements continued

Year ended 29 February 2024

12. Interest in subsidiaries, associates and joint ventures continued

Critical accounting judgements in applying accounting policies continued

Valuation of investments in associates: Avafin Holdings Limited (Avafin) continued

For purposes of the calculation of the CAPM discount rate, the following assumptions were used:

Key assumptions	Approach to determining value	Value
2024		
Risk-free rate (%)	The risk-free rate is extracted (market-risk-premium.com) per country and apportioned by the country's contribution to the total value of the loan book	**4.1**
Equity risk premium (%)	The risk premium is extracted (market-risk-premium.com) per country and apportioned by the country's contribution to the total value of the loan book	**6.5**
Beta coefficient	Available studies published by the NYU Stern School of Business for the 3-year average beta for banks in Western Europe and for financial services	**1.10**
Cost of equity (%)		**11.2**
2023		
Risk-free rate (%)	The risk-free rate is extracted (market-risk-premium.com) per country and apportioned by the country's contribution to the total value of the loan book	4.3
Equity risk premium (%)	The risk premium is extracted (market-risk-premium.com) per country and apportioned by the country's contribution to the total value of the loan book	6.6
Beta coefficient	Available studies published by the NYU Stern School of Business for the 3-year average beta for banks in Western Europe and for financial services	1.07
Cost of equity (%)		11.3

A post-tax discount rate was used to discount post-tax cash flows in the determination of fair value less cost of disposal.

13. Property and equipment

	GROUP			
R'000	Land and buildings	Computer equipment	Office equipment and vehicles	Total
2024				
Opening net book value	**923 425**	**1 441 107**	**927 386**	**3 291 918**
Additions	**387**	**605 546**	**432 181**	**1 038 114**
Disposals	**—**	**(37 450)**	**(14 653)**	**(52 103)**
Depreciation charge	**(23 434)**	**(434 218)**	**(308 947)**	**(766 599)**
Net book value at the end of the year	**900 378**	**1 574 985**	**1 035 967**	**3 511 330**
Cost	**991 045**	**3 650 441**	**2 728 539**	**7 370 025**
Accumulated depreciation	**(90 667)**	**(2 075 456)**	**(1 692 572)**	**(3 858 695)**
Net book value at the end of the year	**900 378**	**1 574 985**	**1 035 967**	**3 511 330**
Non-current portion	**900 378**	**1 574 985**	**1 035 967**	**3 511 330**

	GROUP			
R'000	Land and buildings	Computer equipment	Office equipment and vehicles	Total
2023				
Opening net book value	944 798	1 378 672	698 085	3 021 555
Additions	—	428 638	505 784	934 422
Transfers	(111)	111	—	—
Disposals	—	(24 193)	(3 736)	(27 929)
Depreciation charge	(21 262)	(342 121)	(272 747)	(636 130)
Net book value at the end of the year	923 425	1 441 107	927 386	3 291 918
Cost	993 569	3 322 342	2 674 867	6 990 778
Accumulated depreciation	(70 144)	(1 881 235)	(1 747 481)	(3 698 860)
Net book value at the end of the year	923 425	1 441 107	927 386	3 291 918
Non-current portion	923 425	1 441 107	927 386	3 291 918

Accounting policies

Land and buildings comprise owner-occupied properties and completed buildings. 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 asset's 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 group and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to the income statement during the financial period in which they are incurred.

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

- Automated teller machines (ATMs) — 10 years
- Banking application hardware — 3 – 5 years
- Buildings — 50 years
- Computer equipment — 3 – 7 years
- Motor vehicles — 5 years
- Office equipment — 5 – 10 years
- Leasehold improvements — 5 – 10 years

The assets' residual values and useful lives are annually reviewed and adjusted, if appropriate. An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the income statement. Assets destroyed in insured events are derecognised when it is not probable that future economic benefits from the destroyed asset will flow to the group. Compensation from insurance companies is included in the income statement when it becomes receivable.

Property and equipment are assessed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable and/or if there is any indication that the asset may be impaired.

If there is an indication of impairment, the group estimates the recoverable amount of the asset. The recoverable amount is the higher of the asset's fair value less cost to sell and value in use. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognised immediately in profit or loss. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units (CGUs)). Previously impaired assets are reviewed for possible reversal of impairment at each reporting date. Impairment reversals may not result in the asset's carrying value being higher than the carrying value had the asset not been impaired in previous years.

14. Right-of-use assets

R'000	GROUP Premises
2024	
Opening balance	**1 821 415**
Additions	**576 207**
Terminations	**(93 123)**
Depreciation charge	**(447 884)**
Net book value at the end of the year	**1 856 615**
Cost	**3 914 773**
Accumulated depreciation	**(2 058 158)**
Net book value at the end of the year	**1 856 615**
Current portion	**299 855**
Non-current portion	**1 556 760**
Future cash outflows to which the group is potentially exposed that are not reflected in the measurement of lease liabilities:	
Leases not yet commenced to which the group is committed	**172 507**
2023	
Opening balance	1 909 435
Additions	429 936
Terminations	(144 122)
Depreciation charge	(373 834)
Net book value at the end of the year	1 821 415
Cost	3 468 205
Accumulated depreciation	(1 646 790)
Net book value at the end of the year	1 821 415
Current portion	321 836
Non-current portion	1 499 579
Future cash outflows to which the group is potentially exposed that are not reflected in the measurement of lease liabilities:	
Leases not yet commenced to which the group is committed	118 476

Accounting policies

At the inception of an agreement, the group assesses whether it is, or contains, a lease. If the agreement conveys the right to control the use of an identified asset for a period of time in exchange for consideration it is, or contains, a lease. An agreement conveys the right to control the use of an identified asset if:

- the agreement involves the use of an identified asset – this may be specified explicitly or implicitly, and should be a physically distinct asset. If the supplier has a substantive substitution right throughout the period of use, then the asset is not identified
- the group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use
- the group has the right to direct the use of the asset. The group has the right to direct use of the asset when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases, where the decision about how and for what purpose the asset is used is predetermined, the group has the right to direct the use of the asset if either (i) the group has the right to operate the asset; or (ii) the group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception, or on reassessment of an agreement that contains a lease component, the group allocates the consideration in the agreement to each lease component on the basis of its relative stand-alone price.

Where the group is the lessee

The group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost (which is equal to the lease liability adjusted for upfront deposits) and increased with initial direct costs incurred and the amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset.

The group applies the cost model subsequent to the initial measurement of the right-of-use asset.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The group enters into leases for branches, off-site ATM locations, office space and storage facilities.

Where the group is the lessor

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

Leases consisting of rental finance and instalment sale agreements are regarded as financing transactions with rentals and instalments receivable less unearned finance charges being included in loans and advances. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

Rental finance agreements are typically granted to Business bank clients to lease security equipment, copiers and telecommunication equipment. Instalment sale agreements finance motor vehicles and equipment for Business bank clients.

The ECL is measured as either a 12-month or lifetime ECL depending on whether a SICR has occurred since initial recognition or an asset is considered to be credit-impaired. Measurement considers forward-looking information. The ECL is the discounted result of PD, EAD and LGD without factoring in any collateral or residual values in the LGD.

Rights are accorded to suppliers and business partners to buy back the assets on termination of the lease agreement once the last rental has been paid. These are normally nominal values as invariably the life of the asset equates to the period of the lease or close thereto. Evergreen arrangements can be made where the client continues to utilise the asset after the term of the agreement is concluded and continues to pay rental. This could run for as long as 24 months but often, after 1 year, the agreement is cancelled and the ownership of the asset passes to the client for 3 months' rental. If the rental agreement does not proceed to term due to arrears rentals on the account, the asset is repossessed and disposed of at market-related prices. In many instances, the supplier may make an offer on the asset, refurbish it and put it back into the market or, if not, possibly buy it for spares. A condition embedded within the rental agreement is that the client is accountable for insuring the asset over the term of the rental agreement should the asset be lost, stolen or destroyed.

Notes to the financial statements continued

Year ended 29 February 2024

15. Intangible assets

R'000	Computer software[1]	Internally generated intangible assets[2]	Core deposit intangible	Client relationships	Goodwill	Total
	GROUP					
2024						
Opening net book value	**314 350**	**220 187**	**42 321**	**9 284**	**849 487**	**1 435 629**
Additions	**41 636**	**77 633**	**—**	**—**	**—**	**119 269**
Disposals	**—**	**—**	**—**	**—**	**—**	**—**
Amortisation	**(106 135)**	**(32 720)**	**(11 537)**	**(2 531)**	**—**	**(152 923)**
Net book value at the end of the year	**249 851**	**265 100**	**30 784**	**6 753**	**849 487**	**1 401 975**
Cost	**975 114**	**323 179**	**80 780**	**17 721**	**849 487**	**2 246 281**
Accumulated amortisation	**(725 263)**	**(58 079)**	**(49 996)**	**(10 968)**	**—**	**(844 306)**
Net book value at the end of the year	**249 851**	**265 100**	**30 784**	**6 753**	**849 487**	**1 401 975**
2023						
Opening net book value	357 546	75 300	53 857	11 815	849 487	1 348 005
Additions	74 799	154 042	—	—	—	228 841
Disposals	(243)	—	—	—	—	(243)
Amortisation	(117 752)	(9 155)	(11 536)	(2 531)	—	(140 974)
Net book value at the end of the year	314 350	220 187	42 321	9 284	849 487	1 435 629
Cost	1 007 049	245 591	80 780	17 721	849 487	2 200 628
Accumulated amortisation	(692 699)	(25 404)	(38 459)	(8 437)	—	(764 999)
Net book value at the end of the year	314 350	220 187	42 321	9 284	849 487	1 435 629

[1] The remaining estimated useful life of banking application software included in computer software as at 29 February 2024 is 5 years.
[2] The remaining estimated useful life of the SAP software included in internally generated assets as at 29 February 2024 is 6 years.

Accounting policies

Computer software

Computer software comprises the main banking infrastructure applications, which are purchased from vendors, and software licences which are acquired and 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 developing and maintaining computer software programs are recognised as an expense when incurred with the exception of development costs that meet the criteria for internally generated intangible assets.

Amortisation is calculated using the straight-line method to allocate costs to the residual values over the estimated useful lives, which currently are as follows:

- Banking application software 8 – 10 years
- Desktop application software 2 – 4 years
- Server software 3 – 5 years

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

The group recognises monthly subscription fees for the use of software that is stored in the cloud (software as a service) as an expense if the software:

- is not specifically customised for the group's purpose
- is an off-the-shelf software package that is available on a subscription basis, or for purchase by any other user
- at the end of the agreement period, the right to access and use the service terminates.

As the supplier or its licensors retain all ownership and intellectual property rights to the services, including the programs and ancillary software, as well as anything developed or delivered in terms of the agreement, the group does not consider having a right to access the supplier's application software as sufficient to indicate that at the agreement inception the group controls a resource that meets the definition of an intangible asset.

The group recognises the monthly subscription fee paid upfront as a prepaid asset until the point that the group has received the related services.

Internally generated intangible assets

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use
- Management intends to complete the software product and use or sell it
- There is an ability to use or sell the software product
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available
- The expenditure attributable to the software product during its development can be reliably measured.

Development expenditures that do not meet these criteria are recognised as an expense when incurred.

Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Amortisation is calculated using the straight-line method to allocate costs to the residual values over the estimated useful lives, which are currently as follows:

- Internally generated intangible assets 3 – 10 years

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

Core deposit intangibles

The core deposit intangible asset represents the benefit of having acquired a readily available source of lower-cost funding rather than having to source funding from the open market. The lower-cost funds provide a substantial economic benefit that is recognised as an intangible asset.

Core deposits are valued using the income approach (cost savings method), where savings in funding costs are considered as notional income and are capitalised over the useful life of deposits.

Amortisation of the core deposit intangible is calculated using the straight-line method to allocate cost over the estimated useful life, which is currently 7 years.

The asset's useful life is reviewed annually and adjusted where appropriate.

Client relationships

The client relationship intangible asset is measured as the benefits of future business with a client beyond the amount secured by any current contractual arrangements.

Client relationships are valued using the multi-period excess earnings method.

Amortisation of client relationships is calculated using the straight-line method to allocate costs over the estimated useful life, which is currently 7 years.

The asset's useful life is reviewed annually and adjusted where appropriate.

Notes to the financial statements continued

Year ended 29 February 2024

15. Intangible assets continued

Accounting policies continued

Impairment of intangible assets with finite useful lives

Computer software, internally generated intangible assets, core deposits and client relationships are assessed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable or if there is any indication that the asset may be impaired.

If there is an indication of impairment the group estimates the recoverable amount of the asset. The recoverable amount is the higher of the asset's fair value less cost to sell and value in use. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognised immediately in profit or loss. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Previously impaired assets are reviewed for possible reversal of impairment at each reporting date. Impairment reversal may not result in the asset's carrying value being higher than the carrying value had the asset not been impaired in previous years.

Goodwill

Goodwill is measured as the excess of the consideration transferred and the acquisition date fair value of any previously held equity interest over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary, associate or joint venture at the date of the acquisition.

Goodwill arising on the acquisition of subsidiaries is reported in the statement of financial position as part of 'intangible assets including goodwill'. Goodwill arising on the acquisition of associates and joint ventures is reported in the statement of financial position as part of 'interest in associates and joint ventures'.

Goodwill is tested annually for impairment unless there is an impairment indicator, in which case the test is performed more than once a year. Should an impairment of goodwill be required, it will be recognised in profit or loss. Where goodwill is separately identified and reported, the impairment may not be reversed.

Critical accounting estimates and judgements in applying accounting policies

Judgements

Intangible assets: Goodwill impairment determination

Goodwill is tested annually for impairment unless there is an indicator of impairment, in which case the test is performed more than once a year. Mercantile was acquired in the 2020 financial year as a business bank and its operations and goodwill are monitored by Capitec management as a separate CGU from Capitec's retail operations.

The goodwill allocated to the Business bank CGU as at 29 February 2024 is R849 million (2023: R849 million). As at 29 February 2024, management reviewed the assumptions and estimates used in the impairment calculation and determined that the recoverable amount exceeds the carrying amount.

The fair value less cost to sell is calculated using a free cash flow to equity model taking into account cash flows for a 7-year forecast period. A forecast period of greater than 5 years was used to take into account the impact of rebranding the Business bank to Capitec Business as well as the initial effect of reduced pricing that was implemented on 1 March 2024. A terminal value is determined using the Gordon Growth Model calculation.

The calculation used cash flow projections based on financial budgets approved by management and other management assumptions as per the following table. These projections consider actual growth over the past year in transactional volumes and in clients for certain business lines. The risks associated with the impact of the ongoing global geopolitical tension and current macroeconomic conditions were taken into account by stressing the variables as per the table. The various growth rates applied to the variables are consistent with forecasts included in industry reports specific to the industry in which the CGU operates, historical performance, management's expectation of market developments and management's forecast of new client revenues, which management believes will result from leveraging the Capitec Bank brand and the business banking process. The terminal growth rate does not exceed the historical long-term average growth rate for the country.

Stressing any one of the key assumptions as per the following table will not result in an impairment as the recoverable amount is sufficiently in excess of the carrying amount.

The table below sets out the key assumptions and the related stress.

Key assumptions	Value	Stressed value
2024		
Compound growth rate – credit business (%)	**23.3**	**20.5**
Compound growth rate – other business (%)	**14.9**	**12.4**
Terminal growth rate (%)	**4.5**	**3.5**
CAPM discount rate (%)	**15.5**	**16.4**
2023		
Compound growth rate – credit business (%)	14.2	11.8
Compound growth rate – other business (%)	15.7	12.9
Terminal growth rate (%)	4.5	3.5
CAPM discount rate (%)	15.4	16.3

The compound growth rate projected for the credit business increased in the current year as a result of the Capitec Business bank rebranding at the start of the 2025 financial year. The rebrand will allow Capitec Business bank to capture a greater share of the business banking market with its simple and affordable offering.

In the fair value hierarchy, these unobservable inputs would be described as level 3.

The future cash flows, which reflect specific risks relating to the CGU, were discounted using the expected rate of return while maximising the use of market observable data. The expected rate of return was calculated using the CAPM.

For purposes of the calculation of the CAPM discount rate, the following assumptions were used:

Key assumptions	Approach to determining value	Value
2024		
Risk-free rate (%)	10-year South African government bond rate	**11.7**
Equity risk premium (%)	Available studies from Ibbotson, the Stocks, Bonds, Bills and Inflation® (SBBI®) Yearbook, Damordaran studies, equity risk premium implied by stock markets and others	**4.3**
Beta coefficient	Listed South African banks based on 5 years of monthly returns regressed against local index returns	**0.89**
Cost of equity (%)		**15.5**
2023		
Risk-free rate (%)	10-year South African government bond rate	10.7
Equity risk premium (%)	Available studies from Ibbotson, the SBBI® Yearbook, Damordaran studies, equity risk premium implied by stock markets and others	5.4
Beta coefficient	Listed South African banks based on 5 years of monthly returns regressed against local index returns	0.87
Cost of equity (%)		15.4

A post-tax discount rate was used to discount post-tax cash flows in the determination of the fair value less cost to sell.

16. Deferred income tax asset/liability

Deferred income tax asset

	GROUP								
R'000	**Impairments, provisions and accruals**	**Share-based payments**	**Other reserves**	**Cash flow hedge**	**Capital allowances**	**Lease liability[1]**	**Intangible assets**	**Prepayments**	**Total**
2024									
Balance at the beginning of the year	**2 306 003**	**20 017**	**(1 964)**	**(670)**	**(547 457)**	**626 911**	**(14 449)**	**43 308**	**2 431 699**
Income statement charge	**150 065**	**—**	**—**	**—**	**(11 421)**	**22 149**	**3 939**	**(23 575)**	**141 157**
Credited directly to equity	**—**	**(1 845)**	**—**	**—**	**—**	**—**	**—**	**—**	**(1 845)**
Debited to equity through other comprehensive income	**—**	**—**	**(1)**	**(2 108)**	**—**	**—**	**—**	**—**	**(2 109)**
Balance at the end of the year	**2 456 068**	**18 172**	**(1 965)**	**(2 778)**	**(558 878)**	**649 060**	**(10 510)**	**19 733**	**2 568 902**
Estimated to be recovered within 1 year									**850 509**
Estimated to be recovered after 1 year									**1 718 393**
Balance at the end of the year									**2 568 902**
2023									
Balance at the beginning of the year	2 627 677	95 577	(791)	4 725	(593 050)	678 409	(18 388)	(24 749)	2 769 410
Income statement charge	(321 674)	—	—	—	45 593	(51 498)	3 939	68 057	(255 583)
Debited directly to equity	—	(75 560)	—	—	—	—	—	—	(75 560)
Debited to equity through other comprehensive income	—	—	(1 173)	(5 395)	—	—	—	—	(6 568)
Balance at the end of the year	2 306 003	20 017	(1 964)	(670)	(547 457)	626 911	(14 449)	43 308	2 431 699
Estimated to be recovered within 1 year									1 321 210
Estimated to be recovered after 1 year									1 110 489
Balance at the end of the year									2 431 699

[1] The deferred tax of R494.4 million in relation to the right-of-use assets was previously presented within lease liabilities. As a result of the IAS 12 amendment deferred tax related to assets and liabilities arising from a single transaction, the deferred tax has been moved to capital allowances. The prior year was updated accordingly and only impacts the note disclosure.

Deferred income tax liability

R'000	**COMPANY Cash flow hedge**
2024	
Balance at the beginning of the year	**—**
Debited to equity through other comprehensive income	**2 486**
Balance at the end of the year	**2 486**
2023	
Balance at the beginning of the year	—
Debited to equity through other comprehensive income	—
Balance at the end of the year	—

Accounting policies

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 in the financial statements. 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, ECLs, revaluation of certain financial assets and liabilities, prepaid expenses 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.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except for deferred income tax liabilities where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are only offset when the entity has a legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority on either (i) the same taxable entity; or (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Notes to the financial statements continued

Year ended 29 February 2024

17. Deposits and wholesale funding

R'000	GROUP 2024	2023
Deposits		
By maturity		
Within 1 month	**107 101 672**	99 919 242
1 to 3 months	**6 139 686**	5 855 664
3 months to 1 year	**20 352 431**	17 650 720
1 to 2 years	**7 957 774**	8 482 488
2 to 5 years	**11 442 571**	12 151 295
Total deposits	**152 994 134**	144 059 409
Wholesale funding		
By maturity		
Within 1 month	**3 927**	4 595
1 to 3 months	**526 520**	63 698
3 months to 1 year	**841 117**	52 804
1 to 2 years	**808 193**	1 372 553
2 to 5 years	**841 077**	945 144
More than 5 years	**—**	—
Total wholesale funding	**3 020 834**	2 438 794
By nature		
Deposits		
Call accounts	**91 592 645**	85 909 786
Current accounts	**10 676 556**	10 342 712
Term and notice deposits	**3 250 663**	3 020 155
Foreign currency deposits	**1 195 332**	1 274 152
Fixed deposits	**46 278 938**	43 512 604
Total deposits	**152 994 134**	144 059 409
Wholesale funding		
Listed senior bonds[1]	**2 766 277**	2 008 902
Unlisted negotiable instruments	**—**	42 488
Other wholesale funding	**254 557**	387 404
Total wholesale funding	**3 020 834**	2 438 794
Total deposits and wholesale funding	**156 014 968**	146 498 203

[1] Comprises notes listed in terms of Capitec Bank's domestic medium-term note (DMTN) programme registered on the JSE's Debt Board.

Description	Nominal amount	Issue date	Term	Rate
2024				
Listed senior bonds				
Senior debt – listed bonds – floating rate[1]	**R500 million[2]**	**30 April 2019**	**5 years**	**3-month JIBAR plus 1.50%**
Senior debt – listed bonds – floating rate[1]	**R750 million**	**2 November 2021**	**3 years**	**3-month JIBAR plus 1.20%**
Senior debt – listed bonds – floating rate[1]	**R750 million**	**21 November 2022**	**3 years**	**3-month JIBAR plus 1.30%**
Senior debt – listed bonds – floating rate[1]	**R750 million**	**31 October 2023**	**3 years**	**3-month JIBAR plus 1.08%**
Unlisted negotiable instruments				
None	**—**	**—**	**—**	**—**
Other wholesale funding				
Bilateral loan – fixed rate	**R90 million**	**1 December 2004**	**20 years**	**Fixed rate of 11% nominal annual compounded monthly**
Call deposit – floating rate	**R28 million**	**26 January 2018**	**Call**	**Repo rate**
COVID-19 SME Loan Guarantee Scheme	**R620 million[3]**	**Various between 2020 – 2021**	**5 years**	**Repo rate**
2023				
Listed senior bonds				
Senior debt – listed bonds – floating rate[1]	R500 million[2]	30 April 2019	5 years	3-month JIBAR plus 1.50%
Senior debt – listed bonds – floating rate[1]	R750 million	2 November 2021	3 years	3-month JIBAR plus 1.20%
Senior debt – listed bonds – floating rate[1]	R750 million	21 November 2022	3 years	3-month JIBAR plus 1.30%
Unlisted negotiable instruments				
Negotiable certificate of deposit – fixed rate	R41 million	10 April 2018	5 years	5-year mid-swap plus 2.00%
Other wholesale funding				
Bilateral loan – fixed rate	R90 million	1 December 2004	20 years	Fixed rate of 11% nominal annual compounded monthly
Call deposit – floating rate	R28 million	26 January 2018	Call	Repo rate
COVID-19 SME Loan Guarantee Scheme	R620 million[3]	Various between 2020 – 2021	5 years	Repo rate

[1] Comprises notes listed in terms of Capitec Bank's DMTN programme registered on the JSE's Debt Board.

[2] Wholesale funding issued at variable rates is hedged through interest rate swap agreements as set out in note 46. The nominal value of hedged funding totalled R0.5 billion (2023: R0.5 billion) and consists of listed senior bonds: R0.5 billion (2023: R0.5 billion).

[3] Nominal amount at the grant date which will amortise over a period of 5 years.

Notes to the financial statements continued

Year ended 29 February 2024

17. Deposits and wholesale funding continued

R'000	Senior listed bonds	Total
2024		
Reconciliation of movements in cash flows arising from financing activities		
Opening balance as at 1 March 2023	**2 008 902**	**2 008 902**
Initiation fees	**(48)**	**(48)**
Issue of institutional bonds and other funding	**750 000**	**750 000**
Redemption of institutional bonds and other funding	**—**	**—**
Interest expense accrued	**209 658**	**209 658**
Swap interest accrued	**3 178**	**3 178**
Interest paid	**(205 412)**	**(205 412)**
Balance as at 29 February 2024	**2 766 278**	**2 766 278**
COVID-19 SME Loan Guarantee Scheme		**202 871**
Other funding (operating activities: unlisted negotiable instruments and other wholesale funding)		**51 685**
Total wholesale funding		**3 020 834**
2023		
Reconciliation of movements in cash flows arising from financing activities		
Opening balance as at 1 March 2022	1 254 438	1 254 438
Initiation fees	(266)	(266)
Issue of institutional bonds and other funding	750 000	750 000
Redemption of institutional bonds and other funding	—	—
Interest expense accrued	111 252	111 252
Swap interest accrued	(10 215)	(10 215)
Interest paid	(96 307)	(96 307)
Balance as at 28 February 2023	2 008 902	2 008 902
COVID-19 SME Loan Guarantee Scheme		332 760
Other funding (operating activities: unlisted negotiable instruments and other wholesale funding)		97 132
Total wholesale funding		2 438 794

Treatment of the COVID-19 SME Loan Guarantee Scheme

In terms of an arrangement facilitated by the Banking Association South Africa, between the SARB and participating banks in South Africa, the SARB committed to provide dedicated funding at the repo rate to the banks who elected to participate in the SME Loan Guarantee Scheme (the scheme). The group is a participant in the scheme.

In terms of the scheme, the group will utilise the dedicated funding obtained from the SARB to lend to qualifying SME clients at the prime interest rate (ring-fenced portfolio). The loans are repayable over 5 years. Banks are not permitted to profit from these loans and any surpluses generated will accrue to National Treasury. As part of the scheme, commercial banks are sharing in 6% of the risk of non-repayment if the advances in the portfolio were to default.

The loans granted under the scheme are recognised in loans and advances (note 8). The limited guarantee arrangement entered into with the SARB is viewed as a credit enhancement integral to the loans advanced, and the cost of the limited guarantee is adjusted to the effective interest rate of the loans advanced under the scheme.

18. Other liabilities

R'000	GROUP 2024	GROUP 2023	COMPANY 2024	COMPANY 2023
Financial liabilities				
Trade payables	**3 299 086**	2 315 762	**946**	214
Dividends payable	**3 023**	10 115	**9 643**	12 048
Accruals	**1 616 977**	1 077 684	**68**	446
ECL for undrawn loan commitments[(1)]	**81 463**	120 878	**—**	—
Non-financial liabilities				
Bonus accruals	**45 121**	40 090	**—**	—
Share appreciation rights (SARs) (per note 45)	**263 459**	238 729	**—**	—
Restricted share plan (RSP) (per note 43.4)	**55 804**	70 861	**—**	—
Total other liabilities	**5 364 933**	3 874 119	**10 657**	12 708
Current portion	**4 940 007**	3 453 966	**10 657**	12 708
Non-current portion	**424 926**	420 153	**—**	—

[(1)] *For loan commitments, detailed in note 8, the loss allowance is recognised as a provision to the extent that the ECLs exceed the gross carrying amount of the loans at a client level.*

Other liabilities are measured at amortised cost.

19. Lease liabilities

R'000	GROUP 2024	GROUP 2023
Lease liabilities	**2 383 183**	2 305 062
Total lease liabilities	**2 383 183**	2 305 062
Reconciliation of lease liabilities		
Balance at the beginning of the year	**2 305 062**	2 424 694
Additions	**579 323**	427 286
Terminations and lease modifications	**(97 128)**	(175 412)
Interest	**213 122**	200 894
Lease payments	**(617 196)**	(572 400)
Balance at the end of the year	**2 383 183**	2 305 062
Maturity analysis – contractual undiscounted cash flows		
Less than 1 year	**590 246**	558 860
1 to 5 years	**1 954 801**	1 844 763
More than 5 years	**825 705**	857 985
Total undiscounted lease liabilities at year-end	**3 370 752**	3 261 608
Lease liabilities included in the statement of financial position at year-end		
Current portion	**349 253**	271 133
Non-current portion	**2 033 930**	2 033 929
Amounts recognised in profit or loss		
Interest on lease liability	**213 122**	200 894
Sublease rental income	**2 272**	1 623
Expense relating to short-term leases	**394**	933
Rental refunds	**390**	—
Amounts recognised in the statement of cash flows		
Total cash flow for leases	**617 196**	572 400
– Portion included in operating activities	**210 636**	202 097
– Portion included in financing activities	**406 560**	370 303

19. Lease liabilities continued

Accounting policies

The group enters into premises and other leases. Premises leases are leases for branches, off-site ATM locations, office space and storage facilities. Other leases are short-term or leases of low-value items.

A lease liability is initially measured at the present value of the remaining lease payments on the commencement date, discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be determined, the lessee uses the lessee's incremental borrowing rate.

The incremental borrowing rate on a portfolio is used as a specific rate for a single lease asset does not materially differ from the rate obtained on a portfolio basis. The rate is based on the 3-month swap curve and the basis for this curve is the 3-month Johannesburg Interbank Average Rate (JIBAR). The term structures of base rates and spreads are solved to a single rate for each lease maturity, to take into account the fixed-rate nature of the incremental borrowing rates in IFRS 16. Inputs considered include a Capitec-specific margin, aligning the maturities of our bonds in issue to the cash flows of the lease portfolio, adjusting the curve to reflect a secured lending rate and updating the convention of the curve to a monthly convention.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made.

Lease payments included in the measurement of the lease liability comprise the following: fixed payments; variable lease payments that depend on an index or a rate; amounts payable under a residual value guarantee; and the exercise price under a purchase option that the group is certain to exercise.

Rental agreements are typically for fixed periods of 5 years but may include extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The majority of the premises leases include an option to renew the lease for an additional period of the same duration after the end of the agreement term. The group includes extension options when determining the lease term as branches are a strategic part of the business.

The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases – extension and termination options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of branches, the following factors are the most relevant:

- Where there are significant penalties to terminate (or not extend), the group is typically reasonably certain to extend
- If any leasehold improvements are expected to have a significant remaining value, the group is typically reasonably certain to extend
- Otherwise, the group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The assessment is reviewed if a significant event or a significant change in circumstances that is within the control of the group occurs.

Short-term and low-value leases

The group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of equipment that have a lease term shorter than 12 months and leases of low-value assets.

Low-value assets comprise IT equipment.

The group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

20. Employee benefit liabilities

	GROUP		
R'000	**Performance incentive scheme**	**Post-retirement medical benefits**	**Total**
2024			
Balance at the beginning of the year	**3 387**	**11 235**	**14 622**
Additions	**—**	**1 068**	**1 068**
Used during the year	**(2 606)**	**(714)**	**(3 320)**
Balance at the end of the year	**781**	**11 589**	**12 370**
2023			
Balance at the beginning of the year	197 236	14 908	212 144
Additions	4 394	1 373	5 767
Used during the year	(198 243)	(5 046)	(203 289)
Balance at the end of the year	3 387	11 235	14 622

R'000	**2024**	**2023**
Non-current portion	**12 370**	14 622

Accounting policies

Performance incentive scheme

The group 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 group's business.

Senior management qualifies for a cash-settled performance bonus scheme. The scheme rewards senior managers based on the growth in headline earnings and, in order to foster a long-term approach by management, the bonus vests over a 3-year period. Senior management may elect to receive the second and third tranches of their bonus in the form of shares (refer to note 43) or cash.

The performance incentive scheme included in employee benefit liabilities represents the non-current portion of the cash election. The current portion of the performance bonuses to be paid in the 2025 financial year is included in accruals. Refer to note 18. The balance above represents the non-current portion.

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 on government bonds at the end of the reporting period. The currency and term of the bonds are consistent with the currency and term of the obligation.

The employee service cost is recognised in the income statement as the obligation arises. The cash flows relating to the performance incentive schemes are included in cash flows from operations.

Post-retirement medical benefits

Capitec Bank Limited (Business bank division) provides for post-retirement medical benefits to certain retired employees. These benefits are only applicable to employees who were members of the Mercantile Bank Limited medical aid scheme prior to May 2000, who elected to retain benefits in 2005, and are based on these employees remaining in service up to retirement age.

The costs of the defined benefit plan are assessed using the projected unit credit method. Under this method, the current service costs of providing post-retirement medical benefits are recognised in profit or loss.

Notes to the financial statements continued

Year ended 29 February 2024

20. Employee benefit liabilities continued

Accounting policies continued

Post-retirement medical benefits continued

The effect of settlements on the liability is recognised in profit or loss and any remeasurement of the defined benefit liability (which includes actuarial gains and losses) is recognised in other comprehensive income. The net post-retirement liability recognised in the consolidated statement of financial position reflects the full value of the plan deficit. The liability is non-current. The cash flows relating to settlement of the liability are included in cash flows from operations.

The scheme is valued annually by independent actuaries and was last valued on 29 February 2024. It is the actuary's opinion that the plan is in a sound financial position.

A reconciliation of the opening to closing balance of the post-retirement medical benefits, cash flow, income statement and other comprehensive income impacts, as well as the principal actuarial assumptions used in determining the defined benefit value, is detailed below.

	GROUP	
R'000	**2024**	**2023**
Present value of total service liabilities	11 589	11 235
Liability in the statement of financial position	**11 589**	11 235
The amounts recognised in total profit for the year are as follows:		
Net interest cost	1 062	1 366
Employee cost	(1 532)	(1 813)
Current service cost	6	7
Employer benefits payments	(1 538)	(1 820)
Total included in total profit for the year	**(470)**	(447)
The amounts recognised in the statements of other comprehensive income are as follows:		
Remeasurement of defined benefit obligation	824	(3 226)
Total included in other comprehensive income	**824**	(3 226)
Reconciliation of the movement in the present value of total service liabilities:		
Balance at the beginning of the year	11 235	14 908
Current service cost	6	7
Interest costs	1 062	1 366
Remeasurement of defined benefit obligation	824	(3 226)
Employer benefits payments	(1 538)	(1 820)
Balance at the end of the year	**11 589**	11 235
The principal actuarial assumptions used were as follows:		
Discount rate (%)	10.2	10.2
Rate of medical inflation (%)	6.5	6.6
Salary inflation (%)	6.0	6.1

The effect of a 1% increase/decrease on the assumed rate of medical inflation would be an increase in the liability in the amount of R0.7 million (2023: R0.7 million) or a decrease of R0.6 million (2023: R0.6 million).

21. Group loans payable

	COMPANY	
R'000	**2024**	**2023**
Loan owing to group subsidiary	37 791	24 405
Total group loan payable	**37 791**	24 405
Current	**37 791**	24 405

Accounting policies

All loans to group companies bear interest as agreed by the parties from time to time and have no fixed repayment terms, unless otherwise stated, in which case they are viewed to be repayable on demand.

22. Share capital and premium

	GROUP		COMPANY	
R'000	**2024**	**2023**	**2024**	**2023**
Authorised				
Ordinary shares[(1)]				
500 000 000 shares of R0.01 each	5 000	5 000	5 000	5 000
Non-redeemable, non-cumulative and non-participating preference shares				
100 000 000 shares of R0.01 each	1 000	1 000	1 000	1 000
Loss-absorbent preference shares (conversion)[(2)]				
100 000 000 shares of R0.01 each	1 000	1 000	1 000	1 000
Loss-absorbent preference shares (write-off)[(2)]				
100 000 000 shares of R0.01 each	1 000	1 000	1 000	1 000

(1) *At the AGM held on 26 May 2023, the shareholders authorised that 5 804 992 shares equal to 5% of the issued ordinary shares of the company be placed under the control of the directors until the next AGM.*

(2) *At the AGM held on 26 May 2023, the shareholders authorised that loss-absorbent convertible capital securities to a maximum aggregate issue price not exceeding R1.5 billion, but subject to a conversion into ordinary shares not exceeding 5 000 000 ordinary shares (over and above the authority reflected in (1)), be placed under the control of the directors until the next AGM.*

Notes to the financial statements continued

Year ended 29 February 2024

22. Share capital and premium continued

	GROUP 2024	GROUP 2023	COMPANY 2024	COMPANY 2023
Number of shares issued[1]				
Number of shares in issue per the shareholders' register	**116 099 843**	116 099 843	**116 099 843**	116 099 843
Number of shares in issue for accounting purposes[4]	**115 626 991**	115 626 991	**115 626 991**	115 626 991
Treasury shares	**(292 246)**	(313 979)	**—**	—
Issued share capital – R'000				
Shares of R0.01	**1 156**	1 156	**1 156**	1 156
Share premium	**5 647 864**	5 647 864	**5 647 864**	5 647 864
Treasury shares	**(192 480)**	(242 912)	**—**	—
Ordinary share capital and premium	**5 456 540**	5 406 108	**5 649 020**	5 649 020
479 255 (2023: 542 013) shares of R0.01 each at par	**5**	5	**5**	5
Share premium	**43 255**	48 919	**43 255**	48 919
Preference share capital and premium – non-redeemable, non-cumulative and non-participating[2]	**43 260**	48 924	**43 260**	48 924
Total issued share capital and premium[2][3]	**5 499 800**	5 455 032	**5 692 280**	5 697 944
Reconciliation – number of treasury shares[5]				
Opening balance	**313 979**	—	**—**	—
Repurchased shares and restricted shares	**66 053**	424 566	**—**	—
Shares delivered to option holders	**(87 786)**	(110 587)	**—**	—
Closing balance	**292 246**	313 979	**—**	—

[1] All issued ordinary and preference shares are fully paid up. No ordinary shares were cancelled in the current or prior year. Preference shares with an original value of R5.7 million (par and premium) (2023: R2.2 million) were repurchased and cancelled during the year. The preference shares have been repurchased over a number of years due to the Basel III phase-out of qualifying preference share capital. From 1 January 2022, none of the preference share capital qualifies for regulatory purposes in accordance with the Basel III phase-out timeline. The average price paid was R101.36 (2023: R102.31) per share.

[2] The preference shares carry a coupon rate of 83.33% (2023: 83.33%) of the prime rate on a face value of R100 per share. At year-end, 83.30% (2023: 81.11%) of these shares had been repurchased. The total amount paid for the preference shares repurchased during the year was R6.4 million (2023: R2.5 million).

[3] Refer to note 43 for detail regarding the acquisition of shares to settle share options. During the year, a net debit of R94.9 million (R69.3 million after tax) to retained earnings was realised on settlement of share options as reflected in the statement of changes in equity (2023: R78.5 million (R56.5 million after tax)).

[4] The 472 852 shares that were issued in terms of the Izindaba Ezinhle Employee Share Scheme during the year ended February 2022 are deemed unissued for accounting purposes at a group level. At a company level, to the extent that cash was received for 50% of the subscription price related to the 472 852 shares issued, these shares were recorded separately in equity. The additional share capital and share premium will be recognised for accounting purposes on expiry of the 5-year trade restriction. Full details are set out in note 43.2 to the financial statements. These shares are not included in treasury shares as they are deemed to be unissued for accounting purposes.

[5] The decrease in the treasury shares reconciliation relates to the movement in shares held by the Capitec Bank Share Incentive Trust of R10.8 million (2023: increase R16.3 million) and the shares held for the RSP of R39.6 million (2023: increase R139.1 million).

Accounting policies

Categories of share capital

Authorised share capital consists of:

- ordinary shares
- non-redeemable, non-cumulative and non-participating preference shares
- convertible or written off, loss-absorbent preference shares.

Share issue costs

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

Treasury shares

Where the company or other group entities purchase the company's equity share capital, the consideration paid is deducted from total shareholders' equity as shares held by the group until they are cancelled or sold.

Preference shares

As the preference shares are non-redeemable, non-cumulative and non-participating, they are included in equity.

23. Reserves

R'000	GROUP 2024	GROUP 2023	COMPANY 2024	COMPANY 2023
Cash flow hedge reserve				
Balance at the beginning of the year	**1 544**	(12 405)	**—**	—
Amount recognised in other comprehensive income during the year	**10 986**	9 129	**9 206**	—
Amount reclassified from other comprehensive income to profit or loss for the year	**(3 178)**	10 215	**—**	—
	9 352	6 939	**9 206**	—
Deferred tax recognised in other comprehensive income during the year	**(2 108)**	(5 395)	**(2 486)**	—
Balance at the end of the year[1]	**7 244**	1 544	**6 720**	—
Other reserves[2]				
Balance at the beginning of the year	**(25 371)**	(28 625)	**—**	—
Amount recognised in other comprehensive income during the year	**7 711**	4 427	**—**	—
Employee benefits reserve	**(824)**	3 226	**—**	—
Other reserves	**8 535**	1 201	**—**	—
Amount reclassified from other comprehensive income to profit or loss for the year (other reserves)	**—**	—	**—**	—
	(17 660)	(24 198)	**—**	—
Deferred tax recognised in other comprehensive income during the year	**(1)**	(1 173)	**—**	—
Balance at the end of the year	**(17 661)**	(25 371)	**—**	—
Foreign currency translation reserve				
Balance at the beginning of the year	**77 610**	31 438	**—**	—
Amount recognised in other comprehensive income during the year	**23 964**	46 172	**—**	—
Balance at the end of the year[3]	**101 574**	77 610	**—**	—
Share option reserve[4]				
Balance at the beginning of the year	**515 809**	515 809	**23 831**	23 831
Amount recognised directly in equity	**—**	—	**—**	—
Balance at the end of the year	**515 809**	515 809	**23 831**	23 831

[1] The cash flow hedge reserve is released to the income statement on realisation of the interest expense on the hedged items. The hedged items are detailed in note 17 and comprise variable-rate bonds. Refer to note 46 for additional disclosure relating to the hedging instruments.

[2] The other reserves include the employee benefit reserve and a reserve relating to an equity investment.

[3] The foreign currency translation reserve relates to the gain or loss on translation of the group's investment in a foreign associate. This investment is denominated in euro and amounted to EUR20.1 million (2023: EUR17.0 million) and R417.3 million (2023: R332.1 million).

[4] The details of the Izindaba Ezinhle Employee Share Scheme and co-investment plan and SARs scheme are set out in note 43 to the financial statements.

24. Interest and similar income

24.1 Interest income calculated using the effective interest rate

R'000	GROUP 2024	GROUP 2023	COMPANY 2024	COMPANY 2023
Interest income				
Loans and advances	**17 695 816**	15 320 222	**–**	–
Loan origination fees	**493 153**	478 982	**–**	–
Term deposit investments[1]	**176 987**	191 998	**–**	–
Bank balances[1]	**319 115**	273 097	**579**	437
Resale agreements	**261 196**	328 846	**–**	–
SARB settlement balances[2]	**168 526**	86 736	**–**	–
Government bonds[2]	**1 201 149**	1 110 339	**–**	–
Treasury bills[2]	**4 794 292**	2 928 358	**–**	–
Other[2]	**8 039**	64 770	**–**	–
Total interest income calculated using the effective interest rate	**25 118 273**	20 783 348	**579**	437

[1] In the prior year, interest income on money market investments and term deposits was disclosed as a single line item amounting to R464 million. The portion relating to money market investments (included in cash and cash equivalents) amounting to R272 million has been reallocated to interest income earned on bank balances as they have a maturity of less than 3 months, are highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

[2] Previously, interest income derived from interest-bearing instruments, included in total interest income calculated using the effective rate, was disclosed as a single line item within the note. It has since been further disaggregated given its materiality to separately disclose interest from SARB settlement balances, government bonds, treasury bills and other financial instruments. Prior year figures have been updated for comparability.

Accounting policies

Interest income on instruments measured at amortised cost

Interest income is recognised in the income statement for all instruments measured at amortised cost using the effective interest rate method.

The effective interest rate method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the relevant period. The original effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the original effective interest rate, the group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options). The calculation includes all fees paid or received between parties to the agreement that are an integral part of the effective interest rate.

Once a financial asset or a group of similar financial assets have 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, which is the effective interest rate calculated at origination of the financial asset measured at amortised cost.

Loan origination fees that relate to the creation of a financial asset are amortised over the expected term of the loan on an effective interest rate basis and included in interest income.

24.2 Interest income from financial assets at FVTPL

R'000	GROUP 2024	GROUP 2023
Financial assets at FVTPL	**687 527**	415 915

Accounting policies

Interest on investments at FVTPL

Interest income on investments at FVTPL is determined based on the movement in the fair value of the investment for the accounting period.

24.3 Interest expense

R'000	GROUP 2024	GROUP 2023
Interest expense		
Call and current accounts	**(4 808 087)**	(3 591 894)
Notice, term, foreign and fixed deposits	**(4 018 935)**	(3 046 488)
Listed senior bonds	**(210 258)**	(111 614)
Unlisted negotiable instruments	**(430)**	(7 788)
Interest (IFRS 16 *Leases*)	**(213 122)**	(200 894)
Other	**(90 981)**	(34 013)
Total interest expense	**(9 341 813)**	(6 992 691)

Accounting policies

Interest expense on instruments measured at amortised cost

Interest expense is recognised in the income statement for all instruments measured at amortised cost using the effective interest rate method. Interest expense is recognised separately from other fair value movements.

The effective interest rate method is a method of calculating the amortised cost of a financial liability and of allocating the interest expense over the relevant period. The original effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial liability. When calculating the original effective interest rate, the group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options). The calculation includes all fees paid or received between parties to the agreement that are an integral part of the effective interest rate.

25. Net loan fee income

R'000	GROUP 2024	GROUP 2023
Loan fee income[1]		
Monthly service fee	**1 219 308**	1 087 787
Loan fee expense[1]		
Credit life insurance claims paid for loans issued prior to May 2016	**(11 140)**	(9 094)
Total net loan fee income	**1 208 168**	1 078 693

[1] Loan fee income and expense were previously disclosed as part of net lending, investment and insurance income. Management considers it more appropriate to separately disclose loan fee income and loan fee expense following the changes in presentation of the face of the consolidated income statement. Comparatives have been updated for this change in presentation only. Comparatives previously reported have not changed.

Accounting policies

Service-related loan fee income is recognised when the services are provided.

Loan fee expenses comprise credit life insurance claims paid and are recognised when the claims are paid.

Notes to the financial statements continued

Year ended 29 February 2024

26. Net transaction and commission income

R'000	GROUP 2024	2023
Transaction fee and commission income[1]		
Branch, cash and self-service transactions	**7 506 528**	6 734 198
Digital transactions	**3 591 256**	2 250 642
Monthly fees, debit orders and other transactions	**4 621 117**	3 809 489
POS transactions	**2 629 640**	2 098 952
Commission income	**2 507 365**	1 668 468
Total transaction fee and commission income	**20 855 906**	16 561 749
Transaction fee and commission expense[1]		
Branch, cash and self-service transactions	**(3 156 231)**	(2 859 518)
Digital transactions	**(551 298)**	(315 073)
Monthly fees, debit orders and other transactions	**(1 361 151)**	(1 201 469)
POS transactions	**(930 248)**	(673 824)
Commission expense	**(69 851)**	(50 754)
Total transaction fee and commission expense	**(6 068 779)**	(5 100 638)
Net transaction and commission income	**14 787 127**	11 461 111

[1] *Transaction fee and commission income and expense were previously disclosed as part of net lending, investment, insurance, transaction and commission income. Management considers it more appropriate to separately disclose transaction fee and commission income and expense following the changes in presentation on the face of the consolidated income statement. No changes have been made to comparatives.*

Accounting policies

Transaction income and expenses are recognised when the performance obligations are met at a point in time. Card commission income and expenses and point-of-sale (POS) transactions are from the group's ATM and card machine networks. Branch, cash and self-service transaction income, digital transaction income and related expenses arise due to the group's branch network and various electronic banking channels that the group has, namely the banking app, USSD and internet banking platform. Transaction income also includes monthly fees and fees on debit orders and other transactions.

Transaction fee income and commission income are based on a single performance obligation per transaction and therefore no significant judgements are made when allocating the transaction price to performance obligations.

Transaction fee and commission expenses are incremental and directly attributable to the generation of transaction fee and commission income.

Commission income

The group is entitled to commission income for providing the service of arranging for other parties to transfer services to its clients. The group is an agent as its performance obligation is to arrange for the provision of the specified service by another party. The group does not control the specified service provided by another party before that service is transferred to the client. When (or as) the group as an agent satisfies a performance obligation, revenue is recognised in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified services to be provided by the other party. The group's commission might be the net amount of consideration that is retained after paying the other party the consideration received in exchange for the services to be provided by that party. The revenue is recognised at a point in time and includes commission income from the sale of prepaid mobile network services, electricity, national lottery tickets, vouchers and enabling clients to pay bills on the banking application.

Commission expenses

Commission expenses are incremental and directly attributable to the generation of commission income. Commission expenses include service fees which are recognised as an expense when the services are received.

Live Better rewards programme

Expenses related to the Capitec Live Better rewards programme are included within monthly fees, debit orders and other transactions. The details of these are as follows:

Bank Better rewards

The cash back payable to clients as Bank Better rewards on the 10th of every month represents a contractual obligation to deliver cash to clients and is therefore defined as a financial liability in terms of IAS 32 *Financial Instruments: Presentation.* An accrued liability is raised for the obligation with the contra entry being a transaction fee expense in the income statement which is recognised when the cash back is granted to clients.

The financial liability is subsequently measured at amortised cost in terms of IFRS 9 *Financial Instruments,* but as the cash back already represents the future value as it is immediately due, no adjustments in terms of the effective interest method are deemed necessary. Paragraph 47 of IFRS 13 *Fair Value Measurement* states that the fair value of a financial liability with a demand feature is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Spend Better partners

The agreement that the group has with the benefits partners for the partner-funded cash back stipulates that the benefits partners will reimburse the group for the funded payment of the cash back into clients' Live Better accounts. Therefore, the cash back payable to clients by the benefits partners represents a contractual right for the group to receive cash from the benefits partners as a reimbursement and is therefore defined as a financial asset in terms of IAS 32 *Financial Instruments: Presentation.* The contractual obligation of the group to deliver cash to clients' Live Better savings accounts is defined as a financial liability in terms of IAS 32 *Financial Instruments: Presentation* as mentioned above.

Save Better tools

Round-up

The Round-up amounts from qualifying transactions are transferred to clients' Live Better savings accounts when each transaction clears.

Interest Sweep

The monthly interest clients earn on their main transactional savings account balance is transferred to their Live Better savings account at the end of each month.

The Round-up and Interest Sweep amounts from qualifying transactions that are transferred to clients' Live Better savings accounts when each transaction clears merely represent transfers between clients' main transactional accounts into their Live Better savings accounts. Transactional account balances and Live Better savings account balances of clients are accounted for as deposits (financial liabilities) in terms of IAS 32 *Financial Instruments: Presentation* in the statement of financial position.

Capitec Connect

Capitec is a mobile virtual network operator using the mobile network infrastructure of Cell C. The Capitec Connect client offering enables clients to subscribe for mobile network services, namely prepaid airtime, minutes, data and SMSes on the Capitec banking application. In terms of the client offering, clients with a Capitec GlobalOne transaction account are able to become a Capitec Connect subscriber by connecting to the mobile virtual network through purchasing a SIM card from Capitec that has been provisioned and activated on the mobile network.

Capitec is acting as the principal as Capitec is primarily responsible for fulfilling the promise to provide the mobile network services. There is no contractual relationship between Cell C as the mobile network operator and the subscribers, therefore Cell C is providing the mobile network services on Capitec's behalf. Capitec has discretion in establishing the price for the SIM cards and mobile network services.

When (or as) Capitec as a principal satisfies a performance obligation, the revenue is recognised in the gross amount of consideration to which it expects to be entitled in exchange for the SIM cards and mobile network services.

Notes to the financial statements continued

Year ended 29 February 2024

26. Net transaction and commission income continued

Capitec Connect continued

SIM cards

A SIM card fee, determined by Capitec, is deducted from the client's main transactional savings account when the client becomes a Capitec Connect subscriber. The SIM cards are distinct goods and represent a single performance obligation in terms of IFRS 15 *Revenue from Contracts with Customers*.

The group satisfies the performance obligation at a point in time and recognises revenue when it satisfies the performance obligation by transferring the promised SIM card to a subscriber.

The cost of SIM cards is recognised in the statement of financial position until the cards are issued to clients. The costs of the purchase of SIM cards comprise the purchase price, import duties and other taxes (other than those subsequently recoverable by the group from SARS) and transport, handling and other costs directly attributable to the acquisition of the SIM cards, materials and services. Trade discounts, rebates and other similar items will be deducted in determining the costs of purchase.

Initial fees payable to Cell C per subscriber are recognised as an expense as incurred as the fee is not explicitly chargeable to the subscriber.

When the SIM cards are sold, the cost of those SIM cards is recognised as an expense in the period in which the related revenue is recognised.

Mobile network services

The Capitec Connect mobile network services (prepaid airtime, minutes, data and SMSes) are considered separate performance obligations.

Management considers the terms of the agreement and its customary business practices to determine the transaction price. The transaction price is the amount of consideration to which Capitec expects to be entitled to in exchange for transferring the mobile network services to a subscriber, excluding amounts collected on behalf of third parties (for example, value-added tax).

A contract liability is recognised as the group's obligation to transfer the network services to a subscriber for which the group has received consideration (or an amount of consideration is due) from the client. The contract liability is recognised as a trade payable and presented as part of other liabilities.

The group transfers control of the mobile network services over time and therefore satisfies a performance obligation and recognises revenue over time, as clients simultaneously receive and consume the benefits provided by the group's performance as the group performs.

The group therefore recognises revenue from the services as they are provided. Revenue is recognised based on actual units of mobile network services provided during the reporting period as a proportion of the total units of network services to be provided and is accounted for in transaction fee and commission income in profit or loss.

Usage fees are payable by Capitec to Cell C for the usage or consumption of the bearers on the Cell C network by Capitec's clients. Usage fees are recognised as a financial liability in terms of IAS 32 *Financial Instruments*: *Presentation* as subscribers use or consume the bearers on the Cell C network with the contra entry being recognised in transaction fee and commission expense.

Monthly general and administrative costs payable to Cell C for subscribers are recognised as expenses when incurred in terms of paragraph 98 of IFRS 15 *Revenue from Contracts with Customers*. Management cannot distinguish whether the administration fees relate to unsatisfied performance obligations or to satisfied performance obligations (or partially satisfied performance obligations) and will therefore recognise these fees as transaction fee and commission expense when incurred.

27. Net insurance result

		GROUP	
R'000	**Funeral**	**Credit life**	**Total**
2024			
Insurance revenue			
Experience adjustments for premium receipts	225 388	110 029	335 417
Expected insurance service expenses incurred in the period	421 640	1 621 009	2 042 649
Change in the RA	311 778	296 112	607 890
Amount of CSM recognised in profit or loss	748 374	1 236 715	1 985 089
Allocation of premiums for the recovery of insurance acquisition cash flows	—	163	163
Total insurance revenue	1 707 180	3 264 028	4 971 208
Disaggregated between pre- and post-transition			
Contracts under the MRA	963 153	1 627 637	2 590 790
Contracts written after transition	744 027	1 636 391	2 380 418
Total insurance revenue	1 707 180	3 264 028	4 971 208
Insurance service expense			
Incurred claims and other expenses	(529 594)	(1 553 595)	(2 083 189)
Insurance acquisition costs	—	(163)	(163)
Changes to liabilities for incurred claims	—	106 084	106 084
Total insurance service expenses	(529 594)	(1 447 674)	(1 977 268)
Insurance service result	1 177 586	1 816 354	2 993 940
Insurance finance income/(expense)			
Interest accreted	(165 990)	(60 718)	(226 708)
Effect of changes in financial assumptions	64 875	(3 912)	60 963
Net cell captive interest income	219 190	130 167	349 357
Total insurance finance income	118 075	65 537	183 612
Net insurance result	1 295 661	1 881 891	3 177 552

Notes to the financial statements continued

Year ended 29 February 2024

27. Net insurance result continued

R'000	Funeral	GROUP Credit life	Total
Restated 2023			
Insurance revenue			
Experience adjustments for premium receipts	213 833	67 543	281 376
Expected insurance service expenses incurred in the period	356 853	1 656 019	2 012 872
Change in the RA	254 111	304 444	558 555
Amount of CSM recognised in profit or loss	646 585	1 175 686	1 822 271
Total insurance revenue	1 471 382	3 203 692	4 675 074
Disaggregated between pre- and post-transition			
Contracts under the MRA	1 210 897	2 466 033	3 676 930
Contracts written after transition	260 485	737 659	998 144
Total insurance revenue	1 471 382	3 203 692	4 675 074
Insurance service expense			
Incurred claims and other expenses	(384 641)	(1 623 584)	(2 008 225)
Changes to liabilities for incurred claims	—	119 117	119 117
Total insurance service expenses	(384 641)	(1 504 467)	(1 889 108)
Insurance service result	1 086 741	1 699 225	2 785 966
Insurance finance income/(expense)			
Interest accreted	(157 807)	(99 051)	(256 858)
Effect of changes in financial assumptions	29 658	(5 504)	24 154
Net cell captive interest income	59 628	71 641	131 269
Total insurance finance income/(expense)	(68 521)	(32 914)	(101 435)
Total net insurance result	1 018 220	1 666 311	2 684 531

Refer to note 10 for the accounting policies.

28. Net foreign currency income

R'000	GROUP 2024	2023
Foreign currency income	**514 554**	494 778
Foreign currency expense	**(354 041)**	(332 348)
Net foreign currency income	**160 513**	162 430

Accounting policies

Foreign currency income arises from exchange gains and losses, or remeasurement to fair value at each reporting date, of foreign exchange contracts and foreign currency swaps.

Foreign currency expense comprises commission paid to intermediaries on foreign currency exchange gains.

29. Dividend income

R'000	COMPANY 2024	2023
Ordinary dividends	**5 777 123**	5 479 498
Preference dividends	**4 763**	4 185
Dividend income	**5 781 886**	5 483 683

Accounting policies

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 the underlying instruments.

Dividend income is recognised separately from other fair value movements.

30. Credit impairments

R'000	GROUP 2024	2023
Bad debts written off	**9 329 727**	6 627 491
Movement in provision for credit impairments	**(3 445)**	409 348
Gross credit impairment charge	**9 326 282**	7 036 839
Bad debts recovered	**(600 948)**	(707 454)
Net credit impairment charge	**8 725 334**	6 329 385

Accounting policies

Credit impairments are recognised in the income statement as per IFRS 9's requirements for recognising ECL.

The gross credit impairment charge is split between the gross value of loans written off during the year (including the gross reduction in balance owed as a result of loan modifications) and the movement in the provision for credit impairments (ECL). For detail on the write-off point and loan modifications, refer to note 8.

The movement in provision for credit impairments comprises all elements in the movement in provision for ECL as disclosed in note 8 other than the ECL raised directly against the interest received for loans in stage 3. It also includes the ECL raised directly in other liabilities for undrawn loan commitments where the ECL exceeds the gross carrying amount of the loans at a client level. As such, it includes the new ECL raised as well as the ECL released on loans settled and written off during the year.

The table below shows the interest accrued on stage 3 loans and advances as well as the ECL raised directly to other liabilities.

R'000	GROUP 2024	2023
Stage 3 interest write-off	**(2 741 386)**	(1 795 087)
Movement in excess ECL on undrawn commitments	**(39 415)**	120 878

Included in bad debts recovered are recoveries of R274 million (2023: R305 million) on loans and advances written off after 1 March 2018 under the IFRS 9 write-off policy.

Notes to the financial statements continued

Year ended 29 February 2024

31. Operating expenses

R'000	GROUP 2024	GROUP 2023	COMPANY 2024	COMPANY 2023
The following items are included in operating profit before tax:				
Loss on disposal of property and equipment	22 286	6 828	—	—
Loss on disposal of intangible assets	—	243	—	—
Depreciation on property and equipment	766 599	636 130	—	—
Depreciation charge on right-of-use assets – premises	447 884	373 834	—	—
Amortisation of intangible assets	152 923	140 974	—	—
Advertising and marketing expenses	322 819	270 669	2 561	2 905
Bank charges and cash handling fees	283 211	345 061	3	3
Consumables	401 939	358 039	—	—
Communication expenses	181 854	181 193	—	—
Security and cash-in-transit fees	615 493	557 193	—	—
IT expenses[1]	1 897 851	1 485 580	—	—
Attributable insurance service expenses[2]	(10 912)	—	—	—
Auditors' remuneration				
Audit fees – current year[3]	48 586	38 628	340	314
Audit fees – prior year[3]	3 154	2 818	—	—
Other services	613	6 692	—	—
Total auditors' remuneration	**52 353**	**48 138**	**340**	**314**
Employee costs				
Salaries and bonus costs	6 853 590	5 912 383	—	—
Equity-settled share-based payment (per notes 43.1, 43.3 and 43.4)	60 102	165 228	—	—
Cash-settled share-based payment (per note 43.4)	96 558	70 827	—	—
Cash-settled SARs (per note 43.1)	119 296	25 912	—	—
Training cost	74 958	76 259	—	—
Training refund	(27 219)	(22 675)	—	—
Total employee costs	**7 177 285**	**6 227 934**	—	—

(1) *Prior year IT expenses have been amended to include outsourced resources which were previously included in other operating expenses.*

(2) *These are expenses incurred by the group in the reporting period relating directly to the fulfilment of IFRS 17* Insurance Contracts. *These expenses are recognised in the consolidated income statement as part of insurance service expenses.*

(3) *Included in the current year audit fee are disbursements and work required by regulations.*

Accounting policies

Operating expenses are classified by nature and measured using the accrual principle.

32. Income tax expense

R'000	GROUP 2024	GROUP 2023	COMPANY 2024	COMPANY 2023
Current tax	3 021 964	2 236 228	12 786	9 195
Current year	3 004 529	2 129 342	12 786	9 082
Adjustment for prior years	17 435	106 886	—	113
Deferred tax	(141 157)	255 583	—	—
Current year	(144 376)	360 383	—	—
Adjustment for prior years	3 219	(104 800)	—	—
Income tax expense	**2 880 807**	**2 491 811**	**12 786**	**9 195**
Effective tax rate (%)	21	20	—	—
The tax on the profit before tax differs from the theoretical amount that would arise using the basic normal company tax rate as follows:				
Operating profit before tax	**13 447 744**	**12 199 081**	**5 847 568**	**5 483 672**
Tax calculated at a tax rate of 27% (2023: 28%)	3 630 891	3 415 743	1 578 843	1 535 428
Adjustments for prior years	20 654	2 086	—	113
Income not subject to tax	(825 740)	(966 384)	(1 578 843)	(1 535 514)
Expenses not deductible for tax purposes	62 614	23 879	12 786	9 084
Allowances not in income statement	(23 315)	(25 626)	—	84
Movement in unutilised tax losses	(116)	(121)	—	—
Tax rate change in future value of deferred tax asset	—	47 691	—	—
Statutory rate differential between trust and company	15 819	(5 457)	—	—
Income tax expense	**2 880 807**	**2 491 811**	**12 786**	**9 195**

Income not subject to tax relates to a distribution received from the cell captive, dividends received from group subsidiaries and the group's share of profit of associates and joint ventures.

Expenses not deductible for tax purposes relate to fair value adjustments, donations and SARS interest and penalties.

The adjustment regarding allowances not in the income statement relates to learnership agreements as per section 12H of the Income Tax Act, Act 58 of 1962 (Income Tax Act).

Accounting policies

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 date of the statement of financial position. Current tax and deferred tax are recognised in profit or loss, except to the extent that they relate to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The group recognises liabilities for uncertain tax positions in accordance with the criteria defined within IAS 12 *Income Taxes* and IFRIC 23 *Uncertainty over Income Tax Treatments*, based on objective estimates of the amount of tax that may be due, which is calculated, where relevant, with reference to expert advice received. Where payment is determined to be possible but not probable, the tax exposure is disclosed as a contingent liability. The group recognises probable liabilities based on objective estimates of the amount of tax that may be due. Where the final tax determination is different from the amounts that were initially recorded, the difference will impact the income tax and deferred income tax in the period in which such determination is made.

Notes to the financial statements continued

Year ended 29 February 2024

33. Earnings per share attributable to ordinary shareholders

R'000	GROUP 2024	Restated[1] 2023
Net profit after tax	10 566 937	9 151 472
Preference dividend	(4 763)	(4 185)
Discount on repurchase of preference shares	(696)	(297)
Net profit after tax attributable to ordinary shareholders	10 561 478	9 146 990
Weighted average number of ordinary shares in issue ('000)	115 627	115 627
Adjustment for treasury shares	(281)	(318)
Weighted average number of ordinary shares in issue ('000)	115 346	115 309
Adjustment for:		
Exercise of share options	243	308
Weighted average number of ordinary shares for diluted earnings per share ('000)	115 589	115 617
Basic earnings per share (cents)	9 156	7 933
Diluted earnings per share (cents)	9 137	7 911

[1] *Earnings per share has been restated due to the restatement of net profit after tax arising from the adoption of IFRS 17. Refer to note 3 Restatement – adoption of IFRS 17 and related assessments.*

Accounting policies

Basic earnings per share

Basic earnings per share is calculated by dividing the net profit after tax attributable to ordinary equity holders by the weighted average number of ordinary shares in issue during the year.

Diluted earnings per share

To calculate diluted earnings per share, the net profit after tax attributable to ordinary equity shareholders is divided by the weighted average number of ordinary shares in issue adjusted to assume conversion of all potentially dilutive ordinary shares.

Potentially dilutive shares consist of share options as detailed in the notes. The number of shares that could have been acquired at fair value (the average annual share price of the company's shares) is determined based on the monetary value of the subscription rights attached to outstanding share options. The result is compared to the number of shares that would have been issued assuming the exercise of the share options. The difference is added to the weighted average number of shares as an issue of ordinary shares for no consideration. No adjustment is made to earnings.

For the purpose of calculating the impact on diluted earnings and diluted headline earnings per share, the shares issued in terms of the Izindaba Ezinhle Employee Share Scheme are accounted for as share options for which the treasury stock method per IAS 33 *Earnings per Share* is applied.

34. Headline earnings per share attributable to ordinary shareholders

R'000	GROUP 2024	Restated[1] 2023
Net profit after tax attributable to ordinary shareholders	10 561 478	9 146 990
Non-headline items:		
Loss on disposal of property and equipment	16 758	5 816
Taxable loss	19 742	3 554
Income tax	(5 528)	(1 012)
Non-tax deductible loss	2 544	3 274
Loss on disposal of intangible assets	–	177
Taxable loss	–	243
Income tax	–	(66)
Headline earnings	10 578 236	9 152 983
Basic headline earnings per share (cents)	9 171	7 938
Diluted headline earnings per share (cents)	9 152	7 917

[1] *Headline earnings has been restated due to the restatement of net profit after tax attributable to ordinary equity shareholders arising from the adoption of IFRS 17. Refer to note 3 Restatement – adoption of IFRS 17 and related assessments.*

Accounting policies

Headline earnings per share

Headline earnings per share is calculated by dividing headline earnings by the weighted average number of ordinary shares in issue during the year.

Headline earnings starts with the net profit after tax attributable to ordinary equity shareholders, used in the calculation of basic earnings, and excludes all separately identifiable remeasurements net of tax. Excluded remeasurements include profit/loss on disposal of property and equipment and intangible assets.

Notes to the financial statements continued

Year ended 29 February 2024

35. Dividends declared

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

R'000	Dividends per share (cents)	R'000	Declared	Last day of trade	Payment date
2024					
Ordinary dividend					
Interim	**1 530**	**1 776 328**	**28 Sep 2023**	**17 Oct 2023**	**23 Oct 2023**
Final	**3 345**	**3 883 540**	**22 Apr 2024**	**14 May 2024**	**20 May 2024**
Preference dividend					
Interim	**480.35**	**2 423**	**31 Aug 2023**	**19 Sep 2023**	**26 Sep 2023**
Final	**488.22**	**2 340**	**29 Feb 2024**	**18 Mar 2024**	**25 Mar 2024**
2023					
Ordinary dividend					
Interim	1 400	1 625 398	28 Sep 2022	18 Oct 2022	24 Oct 2022
Final	2 800	3 250 796	18 Apr 2023	9 May 2023	15 May 2023
Preference dividend					
Interim	343.08	1 922	31 Aug 2022	20 Sep 2022	26 Sep 2022
Final	417.45	2 263	28 Feb 2023	14 Mar 2023	15 Mar 2023

Accounting policies

Dividends on ordinary shares and preference shares that are classified as equity are recognised in equity in the period in which they are approved by the group's directors. Dividends received on treasury shares are eliminated on consolidation. Dividends for the year that are declared after the statement of financial position date are dealt with in the directors' report.

36. 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 (EXCO), headed by the CEO, has been identified as the CODM, which is responsible for assessing the performance of and allocating resources to the segments.

The CODM identified 3 operating segments within the South African economic environment – Retail bank, Business bank and the Insurance business. The business is widely distributed with no reliance on any major clients. In addition, no client accounts for more than 10% of revenue. Operating segments are aggregated based on quantitative or qualitative significance. The performance of insurance activities is based on the operating results of the cell captives and Capitec Life Limited, the holder of a long-term insurance licence, as a measure of profitability. The insurance products are conventional long-term insurance products, which due to their nature are not further analysed by class.

Although the group operates within the South African economic environment, the group does hold an investment in Avafin, an online lender that is located in Cyprus, with subsidiaries based in a number of European and North American countries. Avafin is an associate over which the group does not have control.

The CODM regularly reviews the operating results of the Retail bank, Business bank and Insurance business 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
- 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 5 different loan products granted, namely term loans, mortgage loans, overdrafts, instalment sales and leases and credit cards
- Call and notice deposits
- Treasury products that comprise foreign exchange spot trades and foreign exchange forward contracts.

Insurance

For several years, 2 cell captive arrangements have enabled the group to provide long-term insurance products to Retail bank clients. Capitec Ins Proprietary Limited is the shareholder of the cells and participates in the operating results in the form of an attribution of profit.

The following long-term insurance products are provided to Retail bank clients:

- Prior to 7 May 2023, credit insurance, underwritten by Guardrisk Life Limited, provided cover for the settlement of debt in the event of death, permanent disability, temporary disability or retrenchment
- From 7 May 2023, the group has offered credit life insurance to clients through its subsidiary, Capitec Life Limited. The process to commence the transfer of the existing credit life policies that are held with Guardrisk Life Limited to Capitec Life Limited has been initiated
- The Capitec funeral plan, underwritten by Centriq Life Insurance Company Limited, is a policy that provides cover for funeral costs. From 1 November 2024, Capitec Life is expected to take over the administration of the in-force insurance book from Centriq and will commence writing new funeral business on its own licence. Refer to note 47 Events after the reporting period for the details pertaining to this transaction.

The revenue from external parties and all other items of income, expenses, profits and losses reported in the segment report are measured in a manner consistent with that in the income statement. The fees from external clients for each major group of products and services are disclosed in notes 24 to 28.

36. Segment information continued

	GROUP							
	2024				Restated 2023			
R'000	Retail bank	Business bank	Insurance	Total	Retail bank	Business bank	Insurance	Total
Interest and similar income								
Interest income	23 694 276	2 653 725	25 512	25 805 800	19 821 955	1 818 945	7 048	21 199 263
Interest income on lending calculated using the effective interest rate	16 071 361	2 117 608	—	18 188 969	14 382 222	1 416 980	—	15 799 202
Interest income on investments calculated using the effective interest rate[1]	6 954 215	536 117	6 685	6 929 304	5 030 866	401 965	—	4 984 146
Interest income on financial assets at FVTPL	668 700	—	18 827	687 527	408 867	—	7 048	415 915
Interest expense[1][2]	(8 751 207)	(1 158 319)	—	(9 341 813)	(6 620 671)	(820 705)	—	(6 992 691)
Net interest income	14 943 069	1 495 406	25 512	16 463 987	13 201 284	998 240	7 048	14 206 572
Credit impairments	(8 402 977)	(322 357)	—	(8 725 334)	(6 121 716)	(207 669)	—	(6 329 385)
Net interest income after credit impairments	6 540 092	1 173 049	25 512	7 738 653	7 079 568	790 571	7 048	7 877 187
Non-interest income								
Loan fee income	1 218 637	671	—	1 219 308	1 083 119	4 668	—	1 087 787
Loan fee expense	(11 120)	(20)	—	(11 140)	(9 484)	390	—	(9 094)
Net loan fee income	1 207 517	651	—	1 208 168	1 073 635	5 058	—	1 078 693
Transaction fee and commission income	19 356 790	1 573 479	—	20 855 906	15 235 116	1 442 150	—	16 561 749
Branch, cash and self-service transactions	7 490 331	16 197	—	7 506 528	6 722 812	11 386	—	6 734 198
Digital transactions	3 504 842	86 414	—	3 591 256	2 183 933	66 709	—	2 250 642
Monthly fees, debit orders and other transactions[1]	4 056 780	578 713	—	4 621 117	3 388 093	481 498	—	3 809 489
POS transactions[1]	2 541 986	147 641	—	2 629 640	2 005 275	149 092	—	2 098 952
Commission income	1 762 851	744 514	—	2 507 365	935 003	733 465	—	1 668 468
Transaction fee and commission expense	(5 410 615)	(718 151)	—	(6 068 779)	(4 508 724)	(647 329)	—	(5 100 638)
Branch, cash and self-service transactions	(3 155 560)	(671)	—	(3 156 231)	(2 859 030)	(488)	—	(2 859 518)
Digital transactions	(521 593)	(29 705)	—	(551 298)	(286 284)	(28 789)	—	(315 073)
Monthly fees, debit orders and other transactions[1]	(1 059 457)	(301 694)	—	(1 361 151)	(936 109)	(265 360)	—	(1 201 469)
POS transactions[1]	(604 154)	(386 081)	—	(930 248)	(376 547)	(352 692)	—	(673 824)
Commission expense	(69 851)	—	—	(69 851)	(50 754)	—	—	(50 754)
Net transaction and commission income	13 946 175	855 328	—	14 787 127	10 726 392	794 821	—	11 461 111
Insurance revenue	—	—	4 971 208	4 971 208	—	—	4 675 074	4 675 074
Insurance service expense	—	—	(1 977 268)	(1 977 268)	—	—	(1 889 108)	(1 889 108)
Insurance service result	—	—	2 993 940	2 993 940	—	—	2 785 966	2 785 966
Insurance finance income/(expense)	—	—	183 612	183 612	—	—	(101 435)	(101 435)
Net insurance result	—	—	3 177 552	3 177 552	—	—	2 684 531	2 684 531
Foreign currency income	—	514 554	—	514 554	—	494 778	—	494 778
Foreign currency expense	—	(354 041)	—	(354 041)	—	(332 348)	—	(332 348)
Net foreign currency income	—	160 513	—	160 513	—	162 430	—	162 430
Other income	121 290	44 541	96 737	245 492	50 072	29 128	79 083	158 283
Net non-interest income	15 274 982	1 061 033	3 274 289	19 578 852	11 850 099	991 437	2 763 614	15 545 048
Income from operations after credit impairments	21 815 074	2 234 082	3 299 801	27 317 505	18 929 667	1 782 008	2 770 662	23 422 235
Operating expenses[1]	(3 261 809)	(227 944)	(40 041)	(3 498 343)	(2 859 418)	(206 816)	(6 118)	(3 012 250)
IT expenses[3]	(1 724 852)	(135 084)	(37 915)	(1 897 851)	(1 366 447)	(109 906)	(9 227)	(1 485 580)
Employee costs	(6 023 272)	(1 066 196)	(87 817)	(7 177 285)	(5 357 534)	(851 148)	(19 252)	(6 227 934)
Depreciation	(1 089 944)	(124 539)	—	(1 214 483)	(938 816)	(71 148)	—	(1 009 964)
Amortisation	(106 200)	(30 064)	(2 592)	(138 856)	(113 716)	(13 128)	(63)	(126 907)
Amortisation of intangibles - core deposits and client relationships[1]	—	—	—	(14 067)	—	—	—	(14 067)
Share of net profit of associates and joint ventures	71 124	—	—	71 124	97 750	—	—	97 750
Operating profit before tax[1]	9 680 121	650 255	3 131 435	13 447 744	8 391 486	529 862	2 736 002	11 643 283
Income tax expense	(2 652 726)	(172 168)	(59 711)	(2 884 605)	(2 362 038)	(140 561)	6 990	(2 495 609)
Tax on amortisation of intangible assets[1]	—	—	—	3 798	—	—	—	3 798
Profit for the year[1]	7 027 395	478 087	3 071 724	10 566 937	6 029 448	389 301	2 742 992	9 151 472

	GROUP							
	2024				Restated 2023			
R'000	Retail bank	Business bank	Insurance	Total	Retail bank	Business bank	Insurance	Total
Assets								
Net loans and advances	62 487 983	18 063 714	—	80 551 697	63 491 048	14 676 755	—	78 167 803
Other[2]	120 250 907	12 872 732	3 492 401	126 139 905	107 143 452	7 931 733	2 123 825	111 567 160
Acquisition of Mercantile	—	—	—	887 024	—	—	—	901 092
Goodwill[1]	—	—	—	849 487	—	—	—	849 487
Intangible asset – core deposit intangible[1]	—	—	—	30 784	—	—	—	42 321
Intangible asset – client relationships[1]	—	—	—	6 753	—	—	—	9 284
Total assets[1][2]	182 738 890	30 936 446	3 492 401	207 578 626	170 634 500	22 608 488	2 123 825	190 636 055

(1) Consolidation entries are not included in the 3 segments.

(2) The Business bank assets include an amount of R10.5 billion (2023: R5.6 billion) in investments that are placed with Retail bank and are eliminated against liabilities on consolidation. Interest on the investments amounted to R469 million (2023: R382 million) and is disclosed as interest income on investments calculated using the effective interest rate in Business bank and as interest expense in Retail bank which is eliminated on consolidation.

(3) Prior year IT expenses do not include outsourced services.

37. Financial risk management

An extensive, multilayered structure governs risk, however, the board is ultimately responsible for risk management and views it as an integral part of providing a responsible return on shareholders' equity. This includes ensuring that risks are adequately identified, measured, managed and monitored and that good governance is maintained. The board monitors the implementation of the risk strategy, approves the risk appetite and ensures that risks are managed within tolerance levels.

The enterprise risk management policy provides the governance structure, risk appetite and approach for the board's risk management discipline and ingrains a prudent risk culture. It defines the risk management universe, structure, policies and processes. An integrated approach in all business areas enables effective risk management processes from identification through to mitigation.

A 5-step iterative process consisting of risk identification, risk evaluation, risk treatment, risk monitoring and risk reporting is used to manage risk. A system of internal control functions throughout the entities in the group and the risk universe is managed by the group EXCO, the RCMC, the risk committee (RISCO), the RCC, the BCC, the ALCO and the data steering committee (Data Steerco). These committees report to the RCMC, which is mandated by the board to oversee risk management. The RCMC, which comprises 3 independent non-executive directors, 3 non-executive directors and 1 executive director, oversees risk management according to a board-approved charter.

The specific risks dealt with by the RCMC's subcommittees, which comprise executive and senior management, are as follows:

- RISCO – legal, compliance, operational and reputational risk
- RCC and BCC – credit and counterparty risk
- ALCO – interest rate, market, currency, liquidity, counterparty and capital adequacy risk
- Data Steerco – technology and information risk.

37. Financial risk management continued

37.1 Interest rate risk

The exposure to interest rate risk is managed within board-approved tolerances. These tolerances are monitored by the RCMC and ALCO and escalated according to tolerance bands. The current group interest rate profile is monitored by the ALCO, which meets monthly and considers the results of management's analysis of the impact of interest rates on the group, including, *inter alia*, the results of various models. The risk arising from volatility in interest rates is lower on a relative basis when compared to other risks in the business due to the higher net interest income margin earned on the retail unsecured lending portfolio.

Cash flow interest rate risk – hedging

The only derivative designated as a cash flow hedge is the R500 million interest rate swap used to hedge the listed floating-rate bonds. Refer to note 17.

The group applies cash flow hedge accounting to mitigate changes in future cash flows on certain variable-rate financial instruments with the objective of mitigating variability in future cash flows resulting from changes in market rates. The following are the identified hedged items subject to cash flow hedge accounting:

- Floating-rate bonds (cash flow interest rate risk).

Cash flow hedges of interest rate risk relate to exposures to the variability in future interest cash flows due to the movement of benchmark interest rates on recognised financial assets and financial liabilities. The change in the interest cash flows attributable to the change in benchmark rate is designated as the hedged risk for hedge accounting purposes. The variability in cash flows is hedged by cash collateralised vanilla interest rate swaps.

To manage the cash flow risk, the group enters into interest rate swaps that have similar critical terms as the hedged items, such as reference rates, reset dates, payment dates, maturities and notional amounts. Variable-rate assets are hedged with float-for-fixed interest rate swaps, and variable-rate liabilities are hedged with fixed-for-float interest rate swaps. The changes in the cash flows on the hedging instruments are therefore expected to offset the changes in the cash flows on hedged items, resulting in an economic relationship.

A 1:1 hedge ratio is applied as the nominal amount of the hedging instruments and the designated hedged item is the same. The nominal amounts and the payment dates of the hedging instrument match the hedged item exactly from the date of the hedge and, as a consequence, there is 100% hedge effectiveness.

In the cash flow hedge of interest rate risk, the main source of ineffectiveness is the fee that is paid upfront, however, as the fee is immaterial, it does not have a material impact on the hedge effectiveness.

Monitoring of interest rate risk

To measure interest rate risk, the group aggregates interest rate-sensitive assets and liabilities into defined time bands, in accordance with the respective interest repricing dates.

Various reports are prepared taking alternative strategies and interest rate forecasts into consideration. These reports are presented to the ALCO and RCMC on a regular basis.

The Financial Stability Board initiated a fundamental review and reform of the major interest rate benchmarks used globally by financial market participants. This review seeks to replace the existing Interbank Offered Rates (IBOR) with alternative risk-free rates to improve market efficiency and mitigate systemic risk across financial markets. The SARB published the South African Rand Overnight Index Average (ZARONIA) as the official successor rate to JIBAR.

The SARB ended the observation period for ZARONIA in November 2023 and companies may use it as a benchmark rate for contracts going forward. The date for the formal initiation of the transition from JIBAR to ZARONIA has not been specified. Once the transition process becomes clear, the bank will ensure compliance to the relevant transition framework.

The bank has limited exposure to JIBAR, with only 4 listed bonds that reference this rate. 2 of these bonds mature within the 2025 financial year and the remaining 2 mature by November 2026. Refer to note 17 for detail regarding the bonds linked to JIBAR.

Cash flow interest rate risk

The group actively manages interest rate risk with the objective to match certain fixed-rate assets with fixed-rate liabilities and floating-rate assets with floating-rate liabilities. The group reduced its exposure to fixed-rate financial assets by, in part, cash flow hedging elements of its variable-rate funding book to a fixed rate. Only R0.5 billion (2023: R0.5 billion) is designated for hedge accounting. Interest rate swaps have the economic effect of converting floating-rate debt to fixed-rate debt. The net unmatched position, resulting from the group's exposure to variable-rate funding from its retail deposits, exposes the group to cash flow interest rate risk.

Sensitivity analysis

The ALCO meets monthly and considers the results of management's analysis of the impact of interest rates on the group which includes, *inter alia*, the results of various models and the impact of interest rate strategy on the gross margin. The following sensitivity analysis is a run-off analysis and reflects the interest rate repricing impact in the static balances of the statement of financial position of a 400 basis point interest rate shock over 12 months. Variable-rate-sensitive items would be impacted immediately by the interest rate shock. The net variable-rate exposure amounts to a R45.9 billion liability position (2023: R41.1 billion liability position). Fixed-rate items would not be impacted and funds received from maturing items are assumed to be reinvested at variable market interest rates. Net fixed-rate exposures maturing within 12 months amount to an asset position of R70.8 billion (2023: R52.9 billion asset position) and net fixed-rate exposures maturing after 12 months amount to an asset position of R17.5 billion (2023: R19.6 billion asset position).

Currently, our profit before tax is expected to increase by R49.0 million (2023: R6.5 million) in the case of a 400 basis point upward shock and decrease by R49.0 million (2023: R6.5 million) in the case of a 400 basis point downward shock.

	Impact on income statement	
400 basis points	2024	2023[1]
R'000	Pre-tax	Pre-tax
Increase	**49 001**	6 456
Decrease	**(49 001)**	(6 456)

[1] *The sensitivity analysis in the prior year was based on the bank's exposure and has been updated in the current year to reflect the group's exposure.*

Compliance with the prescribed maximum interest rates

The NCA prescribes the ceilings for the maximum interest rates that may be charged for retail lending. The group operates within the ambit of the NCA ceilings when pricing its retail loans and advances to clients.

37.2 Other market risk

Market prices and rates typically include equity, bond and commodity prices, currency exchange and interest rates.

The board determines market risk limits, which are reviewed at least annually or depending on prevailing market conditions.

The group does not currently take proprietary trading positions and, therefore, has minimal exposure to market risk. Should the group consider entering into a proprietary trading position, the trading committee and RCMC would have to evaluate and approve such action. The trading committee will ensure that the group is sensibly positioned, taking into account agreed limits, policies, prevailing market conditions, available liquidity and the risk-reward trade-off, mainly in respect of changes in foreign currency exchange rates and interest rates.

Market risk reports are produced on a daily basis, which allows for monitoring against prescribed prudential and regulatory limits. In the event of a limit violation, the asset and liability management (ALM) forum records this and it is immediately corrected and reported to the ALCO. Controls are in place to monitor foreign exchange exposures on a realtime basis through the bank's treasury system. Various conservative prudential risk limits are in place and associated exposures relating thereto are reported to the ALCO, RCMC and the board on a regular basis.

37. Financial risk management continued

37.3 Currency risk

Business bank

The Business bank, in terms of approved limits, manages short-term foreign currency exposures relating to clients' trade imports, exports and interest flows on foreign liabilities.

Foreign currency exposures as a result of the investment in foreign associates are disclosed in the consolidated statement of changes in equity (refer to note 23) and are not included in the table that follows.

The group has conservative net open foreign currency position limits that are well below the limits allowed by the SARB. For the year under review, the highest net open position recorded, for any single day, was R149.5 million (2023: R116.0 million).

Sensitivity analysis on pre-tax profit with all other variables held constant:

R'000	US dollar	Euro	Pound sterling	Other	Total
2024					
Rand weakens by 10%	**(520)**	**(312)**	**289**	**(87)**	**(630)**
Rand strengthens by 10%	**520**	**312**	**(289)**	**87**	**630**
2023					
Rand weakens by 10%	(1 461)	(501)	294	(464)	(2 132)
Rand strengthens by 10%	1 461	501	(294)	464	2 132

The transaction exposures and foreign exchange contracts at the reporting date are summarised as follows:

R'000	US dollar	Euro	Pound sterling	Other	Total
2024					
Total foreign exchange assets	**914 418**	**304 998**	**108 857**	**84 289**	**1 412 562**
Total foreign exchange liabilities	**(847 179)**	**(194 411)**	**(84 728)**	**(74 916)**	**(1 201 234)**
Commitments to purchase foreign currency	**1 014 240**	**923 167**	**22 234**	**22 404**	**1 982 045**
Commitments to sell foreign currency	**(1 074 255)**	**(1 029 424)**	**(50 380)**	**(30 565)**	**(2 184 624)**
Year-end effective net open foreign currency positions	**7 224**	**4 330**	**(4 017)**	**1 212**	**8 749**
2023					
Total foreign exchange assets	960 786	272 421	94 389	78 510	1 406 106
Total foreign exchange liabilities	(884 432)	(225 111)	(103 877)	(61 317)	(1 274 737)
Commitments to purchase foreign currency	525 337	270 084	63 353	45 151	903 925
Commitments to sell foreign currency	(581 396)	(310 433)	(57 951)	(55 903)	(1 005 683)
Year-end effective net open foreign currency positions	20 295	6 961	(4 086)	6 441	29 611

37.4 Liquidity risk

The group manages liquidity cautiously with a low appetite for liquidity risk and operates a conservative maturity profile which is monitored by the ALCO in terms of an approved ALM policy. The maturity profile reflects the deliberate strategy of funding longer-term assets with a significant portion of long-term funding with limited use of core call deposit funding. Our conservative approach at times results in the holding of cash in excess of immediate operational requirements. 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 without incurring unacceptable losses.

The following table analyses the group's assets and liabilities into maturity groupings based on the remaining period, at the statement of financial position 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 the statement of financial position 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 in the statement of financial position are excluded. Refer to note 41
- Adjustments to loans and advances to clients relate to initiation fee income
- Non-cash liabilities representing leave pay are disclosed as adjustments to trade and other payables
- Non-contractual loans comprise discounted stage 3 loans and advances that are more than 3 months in arrears and have legal statuses (including debt review), but exclude loans where debt review was applied for less than 6 months ago. They are shown as non-contractual because they are subject to legal collection processes.

Maturities of assets and liabilities[(1)(7)]

		GROUP						
R'000	Note	Demand to 1 month	1 to 3 months	3 months to 1 year	More than 1 year	Non-contractual	Adjustment[(4)]	Total
2024								
Undiscounted assets								
Cash and cash equivalents – Sovereigns[(3)]	4	**3 553 658**	**–**	**–**	**–**	**–**	**–**	**3 553 658**
Cash and cash equivalents – banks[(3)]	4	**25 471 912**	**–**	**–**	**–**	**–**	**(4 347)**	**25 467 565**
Financial assets at FVTPL	5	**553 980**	**–**	**–**	**–**	**–**	**–**	**553 980**
Financial investments at amortised cost	6	**7 877 870**	**11 544 150**	**39 039 310**	**20 790 050**	**–**	**(81 558)**	**79 169 822**
Term deposit investments	7	**–**	**–**	**8 333 308**	**–**	**–**	**(4 780)**	**8 328 528**
Financial assets – equity instruments at FVOCI	11	**–**	**–**	**–**	**82 415**	**–**	**–**	**82 415**
Loans and advances – Retail	8	**4 804 852**	**7 196 597**	**26 778 878**	**69 547 477**	**15 181 731**	**(284 289)**	**123 225 246**
Loans and advances – Business	8	**3 525 054**	**416 037**	**1 699 639**	**4 707 586**	**682 548**	**–**	**11 030 864**
Loans and advances – Mortgage	8	**157 603**	**312 833**	**1 241 043**	**14 847 133**	**749 320**	**–**	**17 307 932**
Other receivables	9	**7 304 862**	**106**	**23 331**	**26 836**	**703 318**	**–**	**8 058 453**
Derivative assets	46	**15 016**	**6 729**	**8 806**	**3 068**	**–**	**–**	**33 619**
Undiscounted assets		**53 264 807**	**19 476 452**	**77 124 315**	**110 004 565**	**17 316 917**	**(374 974)**	**276 812 082**
Adjustments for undiscounted assets		**(1 870 363)**	**(2 875 218)**	**(14 094 383)**	**(41 329 974)**	**–**	**–**	**(60 169 938)**
Discounted assets								
Loan impairment provision		**(684 678)**	**(637 140)**	**(2 378 895)**	**(6 885 779)**	**(11 852 264)**	**–**	**(22 438 756)**
Total discounted assets		**50 709 766**	**15 964 094**	**60 651 037**	**61 788 812**	**5 464 653**	**(374 974)**	**194 203 388**

*Refer to the footnotes on **page 302**.*

Notes to the financial statements continued

Year ended 29 February 2024

37. Financial risk management continued

37.4 Liquidity risk continued

Maturities of assets and liabilities[1][7] continued

R'000	Note	Demand to 1 month	1 to 3 months	3 months to 1 year	GROUP More than 1 year	Non-contractual	Adjust-ment[4]	Total
2024								
Undiscounted liabilities								
Deposits	17	108 762 093	9 406 704	20 460 689	19 680 169	–	–	158 309 655
Wholesale funding	17	5 372	578 239	997 850	1 838 780	–	–	3 420 241
Lease liability	19	29 473	105 270	455 503	2 780 506	–	–	3 370 752
Current income tax liabilities		–	251 977	–	–	–	–	251 977
Other liabilities	18	3 878 994	903 874	157 139	271 656	153 270	–	5 364 933
Derivative liabilities	46	7 245	4 489	6 726	2 142	–	–	20 602
Employee benefit liabilities	20	–	–	–	12 370	–	–	12 370
Undiscounted liabilities		112 683 177	11 250 553	22 077 907	24 585 623	153 270	–	170 750 530
Adjustments for undiscounted liabilities		(2 061 866)	(3 320 624)	(693 056)	(626 952)	–	–	(6 702 498)
Total discounted liabilities		110 621 311	7 929 929	21 384 851	23 958 671	153 270	–	164 048 032
Net liquidity excess/(shortfall)[5][6]		(60 103 048)	7 588 759	52 667 513	78 533 163	5 311 383	(374 974)	83 622 796
Cumulative liquidity excess/ (shortfall)[2][6]		(60 103 048)	(52 514 289)	153 224	78 686 387	83 997 770	83 622 796	83 622 796
2023								
Undiscounted assets								
Cash and cash equivalents – Sovereigns[3]	4	3 196 654	–	–	–	–	–	3 196 654
Cash and cash equivalents – banks[3]	4	27 085 545	752 450	–	–	–	(748)	27 837 247
Financial assets at FVTPL	5	289 051	–	–	–	–	–	289 051
Financial investments at amortised cost	6	11 556 889	6 527 350	32 933 409	21 827 199	–	(103 783)	72 741 064
Term deposit investments	7	–	3 669 199	–	–	–	(946)	3 668 253
Financial assets – equity instruments at FVOCI	11	–	–	–	73 880	–	–	73 880
Loans and advances – Retail	8	4 645 852	7 034 922	27 054 470	70 911 015	12 222 975	(275 986)	121 593 248
Loans and advances – Business	8	2 590 441	313 281	1 327 721	3 895 738	496 330	–	8 623 511
Loans and advances – Mortgage	8	136 048	239 742	1 011 629	11 908 609	631 829	–	13 927 857
Other receivables	9	4 227 874	–	238 520	23 204	68 300	–	4 557 898
Derivative assets	46	10 270	6 413	15 105	1 913	–	–	33 701
Current income tax asset		–	–	40 701	–	–	–	40 701
Undiscounted assets		53 738 624	18 543 357	62 621 555	108 641 558	13 419 434	(381 463)	256 583 065
Adjustments for undiscounted assets		(1 963 510)	(2 755 867)	(12 810 466)	(40 567 327)	–	–	(58 097 170)
Discounted assets								
Loan impairment provision		(784 488)	(582 500)	(2 323 298)	(6 589 866)	(9 366 516)	–	(19 646 668)
Total discounted assets		50 990 626	15 204 990	47 487 791	61 484 365	4 052 918	(381 463)	178 839 227

*Refer to the footnotes on **page 302**.*

R'000	Note	Demand to 1 month	1 to 3 months	3 months to 1 year	GROUP More than 1 year	Non-contractual	Adjust-ment[4]	Total
2023								
Undiscounted liabilities								
Deposits	17	99 962 070	6 088 866	19 011 089	24 827 386	–	–	149 889 411
Wholesale funding	17	7 117	79 463	207 451	2 538 381	–	–	2 832 412
Lease liability	19	26 721	97 922	434 217	2 702 748	–	–	3 261 608
Other liabilities	18	2 651 684	458 021	344 261	224 640	195 513	–	3 874 119
Derivative liabilities	46	8 086	5 859	9 720	18	–	–	23 683
Employee benefit liabilities	20	–	–	–	15 836	–	–	15 836
Undiscounted liabilities		102 655 678	6 730 131	20 006 738	30 309 009	195 513	–	159 897 069
Adjustments for undiscounted liabilities		(45 349)	(250 597)	(1 539 663)	(5 345 771)	–	–	(7 181 380)
Total discounted liabilities		102 610 329	6 479 534	18 467 075	24 963 238	195 513	–	152 715 689
Net liquidity excess/(shortfall)[5][6]		(49 701 542)	11 230 726	40 291 519	71 742 683	3 857 405	(381 463)	77 039 328
Cumulative liquidity excess/ (shortfall)[2][6]		(49 701 542)	(38 470 816)	1 820 703	73 563 386	77 420 791	77 039 328	77 039 328

*Refer to the footnotes on **page 302**.*

R'000	Note	1 to 2 years	2 to 3 years	3 to 4 years	GROUP 4 to 5 years	5 to 10 years	More than 10 years	Total
2024								
Undiscounted assets								
Financial investments at amortised cost	6	561 705	1 034 030	1 506 355	1 034 030	16 653 930	–	20 790 050
Financial assets – equity instruments at FVOCI	11	–	–	–	82 415	–	–	82 415
Loans and advances – Retail	8	26 402 723	18 767 277	12 564 597	8 899 212	2 913 668	–	69 547 477
Loans and advances – Business	8	1 896 824	1 410 879	865 914	341 220	168 236	24 513	4 707 586
Loans and advances – Mortgage	8	1 601 285	1 555 594	1 478 412	1 331 785	5 163 260	3 716 797	14 847 133
Other receivables	9	17 427	9 409	–	–	–	–	26 836
Derivative assets	46	2 993	75	–	–	–	–	3 068
Undiscounted assets		30 482 957	22 777 264	16 415 278	11 688 662	24 899 094	3 741 310	110 004 565
Adjustments for undiscounted assets		(11 088 590)	(8 443 776)	(6 643 763)	(5 593 382)	(8 357 198)	(1 203 265)	(41 329 974)
Discounted assets								
Loan impairment provision		(2 491 284)	(1 918 704)	(1 382 200)	(848 464)	(229 323)	(15 804)	(6 885 779)
Total discounted assets		16 903 083	12 414 784	8 389 315	5 246 816	16 312 573	2 522 241	61 788 812
Undiscounted liabilities								
Deposits	17	9 996 891	4 074 602	3 204 005	2 404 671	–	–	19 680 169
Wholesale funding	17	940 442	869 863	28 475	–	–	–	1 838 780
Lease liability	19	575 696	510 827	463 163	405 115	816 752	8 953	2 780 506
Other liabilities	18	97 706	61 627	24 517	11 401	76 405	–	271 656
Derivative liabilities	46	2 142	–	–	–	–	–	2 142
Employee benefit liabilities	20	4 584	3 923	3 863	–	–	–	12 370
Undiscounted liabilities		11 617 461	5 520 842	3 724 023	2 821 187	893 157	8 953	24 585 623
Adjustments for undiscounted liabilities		(1 836 500)	561 377	614 794	571 559	(531 749)	(6 433)	(626 952)
Total discounted liabilities		9 780 961	6 082 219	4 338 817	3 392 746	361 408	2 520	23 958 671
Net liquidity excess/(shortfall)[5][6]		16 374 212	15 337 718	11 309 055	8 019 011	23 776 614	3 716 553	78 533 163
Cumulative liquidity excess/ (shortfall)[2][6]		16 527 436	31 865 154	43 174 209	51 193 220	74 969 834	78 686 387	78 686 387

*Refer to the footnotes on **page 302**.*

Notes to the financial statements continued

Year ended 29 February 2024

37. Financial risk management continued

37.4 Liquidity risk continued

Maturities of assets and liabilities[1][7] continued

R'000	Note	GROUP 1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	5 to 10 years	More than 10 years	Total
2023								
Undiscounted assets								
Financial investments at amortised cost	6	1 034 276	568 502	1 031 278	1 504 897	17 688 246	—	21 827 199
Financial assets – equity instruments at FVOCI	11	—	—	—	73 880	—	—	73 880
Loans and advances – Retail	8	27 229 407	19 278 509	13 049 427	8 402 171	2 951 501	—	70 911 015
Loans and advances – Business	8	1 525 836	1 170 324	766 977	308 125	109 914	14 562	3 895 738
Loans and advances – Mortgage	8	1 287 371	1 242 520	1 197 894	1 054 585	4 036 165	3 090 074	11 908 609
Other receivables	9	23 204	—	—	—	—	—	23 204
Derivative assets	46	1 913	—	—	—	—	—	1 913
Undiscounted assets		31 102 007	22 259 855	16 045 576	11 343 658	24 785 826	3 104 636	108 641 558
Adjustments for undiscounted assets		(11 220 523)	(7 606 335)	(6 075 111)	(5 561 618)	(9 130 276)	(973 464)	(40 567 327)
Discounted assets								
Loan impairment provision		(2 488 893)	(1 835 584)	(1 300 730)	(782 411)	(168 374)	(13 874)	(6 589 866)
Total discounted assets		17 392 591	12 817 936	8 669 735	4 999 629	15 487 176	2 117 298	61 484 365
Undiscounted liabilities								
Deposits	17	9 880 055	5 325 357	4 891 587	4 730 387	—	—	24 827 386
Wholesale funding	17	1 523 556	889 772	88 273	36 780	—	—	2 538 381
Lease liability	19	532 176	481 354	428 357	402 876	848 279	9 706	2 702 748
Other liabilities	18	64 548	43 853	30 659	8 239	77 341	—	224 640
Derivative liabilities	46	18	—	—	—	—	—	18
Employee benefit liabilities	20	7 745	4 346	3 745	—	—	—	15 836
Undiscounted liabilities		12 008 098	6 744 682	5 442 621	5 178 282	925 620	9 706	30 309 009
Adjustments for undiscounted liabilities		(1 605 616)	(1 108 094)	(973 669)	(1 101 613)	(550 136)	(6 643)	(5 345 771)
Total discounted liabilities		10 402 482	5 636 588	4 468 952	4 076 669	375 484	3 063	24 963 238
Net liquidity excess/(shortfall)[5][6]		16 605 016	13 679 589	9 302 225	5 382 965	23 691 832	3 081 056	71 742 683
Cumulative liquidity excess/ (shortfall)[2][6]		18 425 719	32 105 308	41 407 533	46 790 498	70 482 330	73 563 386	73 563 386

[1] *For the company, the contractual maturities of the financial assets and liabilities are all on demand to 1 month.*

[2] *Much of the liquidity shortfall in the demand to 3-month categories results from the investment of excess cash in treasury bills and government bonds with maturities in excess of 3 months. These instruments are highly liquid and can be converted to cash should the need arise, adjusted for fair value movements since purchase. Refer to note 37.8.*

[3] *The definitions of Sovereign, banks, corporate and retail are aligned with the Banks Act Regulations.*

[4] *The adjustment includes adjustments to loan origination fees, deferred income and ECL.*

[5] *Calculated as undiscounted assets net of loan impairment provision ECL less undiscounted liabilities.*

[6] *Off-balance sheet guarantees and letters of credit for the Business bank to the value of R559 million (2023: R771 million) and R55 million (2023: R32 million), respectively, and irrevocable loan commitments to the value of R14 160 million (2023: R16 103 million) that have a maturity of demand to 1 month have not been included above.*

[7] *Assets and liabilities other than financial assets and liabilities are included in the analysis to provide a holistic view of liquidity management.*

37.5 Capital adequacy risk

The ALCO oversees the activities of treasury, which operates in terms of an approved ALM policy. The ALCO assesses capital adequacy monthly and manages it daily as necessary. This includes a historical and future capital positioning review and a quarterly report to the RCMC. Capital adequacy is reported to the PA monthly in line with the requirements of the regulations.

Risk management and capital management are interdependent. We hold risk capital as a reserve in line with regulatory requirements. This allows for all residual risks that remain after cost-effective risk management techniques, impairment provisioning and risk mitigation have been applied. Residual risk exists as there is potential for unexpected losses and volatility in expected future losses that are not captured in terms of IFRS Accounting Standards.

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

		GROUP					
		At FVTPL		At FVOCI	At amortised cost		
R'000	Note	Held for trading	Financial assets	Designated as hedges	Financial assets	Financial liabilities	Total
2024							
Interest income calculated using the effective interest rate method	24.1	—	—	—	25 118 273	—	25 118 273
Interest income on financial assets at FVTPL	24.2	—	687 527	—	—	—	687 527
Interest expense	24.3	—	—	—	—	(9 341 813)	(9 341 813)
Loan fee income	25	—	—	—	1 219 308	—	1 219 308
Loan fee expense	25	—	—	—	(11 140)	—	(11 140)
Transaction fee and commission income	26	—	—	—	—	20 855 906	20 855 906
Transaction fee and commission expense	26	—	—	—	—	(6 068 779)	(6 068 779)
Fair value gains on derivatives designated as hedges	23	—	—	(3 178)	—	—	(3 178)
Foreign currency income	28	514 554	—	—	—	—	514 554
Foreign currency expense	28	(354 041)	—	—	—	—	(354 041)
Credit impairment losses	30	—	—	—	(8 725 334)	—	(8 725 334)
2023							
Interest income calculated using the effective interest rate method	24.1	—	—	—	20 783 348	—	20 783 348
Interest income on financial assets at FVTPL	24.2	—	415 915	—	—	—	415 915
Interest expense	24.3	—	—	—	—	(6 992 691)	(6 992 691)
Loan fee income	25	—	—	—	1 087 787	—	1 087 787
Loan fee expense	25	—	—	—	(9 094)	—	(9 094)
Transaction fee and commission income	26	—	—	—	—	16 561 749	16 561 749
Transaction fee and commission expense	26	—	—	—	—	(5 100 638)	(5 100 638)
Fair value gains on derivatives designated as hedges	23	—	—	10 215	—	—	10 215
Foreign currency income	28	494 778	—	—	—	—	494 778
Foreign currency expense	28	(332 348)	—	—	—	—	(332 348)
Credit impairment losses	30	—	—	—	(6 329 385)	—	(6 329 385)

37.7 Fair value hierarchy and classification of financial assets and financial liabilities

Valuation processes

Determination of fair values and valuation processes

Fair values are market-based, calculated 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 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.

37. Financial risk management continued

37.7 Fair value hierarchy and classification of financial assets and financial liabilities continued

Valuation processes continued

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 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 that follows summarises the classification of financial assets and financial liabilities and their fair values.

		GROUP								
		At FVTPL			At FVOCI	At amortised cost				
R'000	Note	Financial assets	Held for trading	As hedging instruments	Financial assets	Financial assets	Financial liabilities	Total	Fair value	Hierarchy of valuation technique
2024										
Financial assets										
Cash and cash equivalents	4	–	–	–	–	29 021 223	–	29 021 223	29 021 223	Level 2[(2)]
Financial assets at FVTPL	5	553 980	–	–	–	–	–	553 980	553 980	Level 1/ Level 2
Term deposit investments	7	–	–	–	–	7 791 467	–	7 791 467	7 791 467	Level 2
Financial investments at amortised cost	6	–	–	–	–	68 110 551	–	68 110 551	67 459 059	Level 1/ Level 2
Financial assets – Equity instruments at FVOCI	11	–	–	–	82 415	–	–	82 415	82 415	Level 3
Net loans and advances – Term loans	8	–	–	–	–	35 508 832	–	35 508 832	36 325 000	Level 3
Net loans and advances – Access facility	8	–	–	–	–	18 958 962	–	18 958 962	20 695 000	Level 3
Net loans and advances – Credit card	8	–	–	–	–	8 020 189	–	8 020 189	8 417 000	Level 3
Net loans and advances – Business	8	–	–	–	–	8 736 772	–	8 736 772	8 950 947	Level 3
Net loans and advances – Mortgage	8	–	–	–	–	9 326 942	–	9 326 942	9 372 825	Level 3
Other receivables	9	–	–	–	–	8 058 453	–	8 058 453	8 058 453	Level 2[(2)]
Derivative assets[(1)]	46	–	32 507	1 097	–	–	–	33 604	33 604	Level 2
Financial liabilities										
Deposits and bonds		–	–	–	–	–	156 014 968	156 014 968	155 996 040	
Listed bonds	17	–	–	–	–	–	2 766 277	2 766 277	2 774 800	Level 2
Unlisted fixed-term institutional deposits	17	–	–	–	–	–	254 557	254 557	254 921	Level 2
Deposits	17	–	–	–	–	–	152 994 134	152 994 134	152 966 319	Level 2
Derivative liabilities[(1)]	46	–	19 505	1 097	–	–	–	20 602	20 602	Level 2
Trade and other payables	18	–	–	–	–	–	3 439 376	3 439 376	3 439 376	Level 2[(2)]

(1) *Cash flow hedges.*

(2) *The fair values of these assets and liabilities closely approximate their carrying amounts due to their short-term or on-demand repayment terms.*

		GROUP								
		At FVTPL			At FVOCI	At amortised cost				
R'000	Note	Financial assets	Held for trading	As hedging instruments	Financial assets	Financial assets	Financial liabilities	Total	Fair value	Hierarchy of valuation technique
2023[(3)]										
Financial assets										
Cash and cash equivalents	4	–	–	–	–	31 013 939	–	31 013 939	31 014 939	Level 2[(2)]
Financial assets at FVTPL	5	289 051	–	–	–	–	–	289 051	289 051	Level 2
Term deposit investments	7	–	–	–	–	3 628 162	–	3 628 162	3 628 162	Level 2
Financial investments at amortised cost	6	–	–	–	–	61 034 237	–	61 034 237	60 389 592	Level 2
Financial assets – Equity instruments at FVOCI	11	–	–	–	73 880	–	–	73 880	73 880	Level 3
Net loans and advances – Term loans	8	–	–	–	–	37 877 480	–	37 877 480	38 109 000	Level 3
Net loans and advances – Access facility	8	–	–	–	–	19 311 847	–	19 311 847	20 756 330	Level 3
Net loans and advances – Credit card	8	–	–	–	–	6 301 719	–	6 301 719	6 684 358	Level 3
Net loans and advances – Business	8	–	–	–	–	6 829 472	–	6 829 472	7 026 615	Level 3
Net loans and advances – Mortgage	8	–	–	–	–	7 847 285	–	7 847 285	7 876 719	Level 3
Other receivables[(3)]	9	–	–	–	–	4 557 898	–	4 557 898	4 557 898	Level 2[(2)]
Derivative assets[(1)]	46	–	31 468	2 087	–	–	–	33 555	33 555	Level 2
Financial liabilities										
Deposits and bonds		–	–	–	–	–	146 498 203	146 498 203	146 185 316	Level 2
Listed bonds	17	–	–	–	–	–	2 008 902	2 008 902	2 012 513	Level 2
Unlisted fixed-term institutional deposits	17	–	–	–	–	–	429 892	429 892	431 953	Level 2
Deposits	17	–	–	–	–	–	144 059 409	144 059 409	143 740 850	Level 2
Derivative liabilities[(1)]	46	–	21 596	2 087	–	–	–	23 683	23 683	Level 2
Other liabilities	18	–	–	–	–	–	2 446 755	2 446 755	2 446 755	Level 2[(2)]

(1) *Cash flow hedges.*

(2) *The fair values of these assets and liabilities closely approximate their carrying amounts due to their short-term or on-demand repayment terms.*

(3) *This note has been restated for the adoption of IFRS 17* Insurance Contracts. *Refer to note 3 Restatement – Transition to IFRS 17* Insurance Contracts.

Notes to the financial statements continued

Year ended 29 February 2024

37. Financial risk management continued

37.8 Fair value calculation methods, inputs and techniques

Fair values of assets and liabilities reported in this note were market-based to reflect the perspective of a market participant.

Item and description	Valuation technique
Retail loans and advances	The expected present value technique was applied, discounting probability-weighted cash flows at a discount rate that ensures that no day-1 fair value gain or loss arises on new loans. This considers that loans are granted at market-related rates at the time of initiation. The level 3 fair value disclosed for loans and advances required the use of significant judgement by management in determining what a market-based valuation would be. An income approach was used, which calculated an expected present value in terms of a discount rate for a hypothetical market participant applied to the valuation cash flows. In summary, this approach calculates a discount rate which reflects the cost to the market participant plus that participant's required rate of return on investment. The cash flows used were probability-weighted and were generated by the same model that was used to generate the impairments on loans and advances. The key aspects involving the application of estimation of these cash flows are set out in note 8.
Business loans	The fair value of loans and advances that are carried at amortised cost approximates the fair value reported as they bear variable rates of interest. The fair value is adjusted for deterioration of the credit quality of the book.
Financial assets at FVTPL	Financial assets (income funds) with underlying debt securities are valued using DCF, external valuations and published price quotations on the JSE equity and debt interest rate market, or external valuations that are based on published market inputs with the main assumptions being market input, uplifted with inflation. These instruments are classified as level 2 as the markets that they are quoted on are not considered to be active.
Term deposit investments	Future cash flows are discounted using a market-related interest rate adjusted for credit inputs over the contractual period.
Financial investments at amortised cost – treasury bills	The fair value of treasury bills is determined with reference to quoted prices in an active market.
Financial investments at amortised cost – government bonds	The JSE debt market bond pricing model uses the JSE debt market mark-to-market bond yield.
Derivative assets and liabilities	Derivatives, both assets and liabilities, were valued using the income approach. Derivatives comprise interest rate swaps and forward foreign exchange contracts. Interest rate swaps were fair valued on a discounted basis using forward interest rates and foreign currency rates extracted from observable yield and foreign currency market curves. Foreign exchange contracts were valued using applicable forward rates. The fair value of publicly traded derivatives and securities is based on quoted market values at the reporting date.
Deposits and bonds with call features	Specified terms for future repayment as well as retail deposits with a call feature which allows them to be withdrawn on demand. The fair values of the retail call deposits closely approximate their carrying amounts due to their demand nature. The fair values for instruments with specified future repayment terms were calculated as described as follows.
Listed senior bonds	A market approach was used. Calculations used the all-in closing bond prices provided by the JSE's Interest Rate and Currency (JSE IRC) debt market. The pricing method used by the JSE links the bond at issue to a liquid government bond (a companion bond). The companion is chosen so as to best fit the characteristics of the Capitec issue, with the time to maturity being the most important factor. Spread information is obtained from market participants and is used to adjust the price subsequent to issue. Very small and very large trades are excluded due to the inherent discounts associated with large trades as well as the premium often charged for odd-lot trades.
Unlisted fixed-term institutional deposits	These comprise unlisted bonds, unlisted fixed-term negotiable instruments and other unlisted fixed-term wholesale instruments. The income approach was used. Fair values were calculated by discounting the contractual cash flows using publicly quoted closing swap curve rates from a large bank market-maker with a risk premium adjustment to account for non-performance risk. The market rate on the curve was determined with reference to the remaining maturity of the liability.
Retail fixed-term deposits	An income approach was used. Fair values were calculated by discounting the contractual cash flows using publicly quoted, closing Capitec fixed-term deposit rates. The relevant rate used was that which matched the remaining maturity of the fixed deposit.
Secured funding	Is carried at amortised cost which approximates the fair value reported as they bear variable rates of interest.

38. Retirement benefits

	GROUP	
R'000	**2024**	**2023**
The group 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, Act 24 of 1956. The amount contributed is included in salaries and bonus costs as per note 31.	**690 520**	596 105

The group contributes to the fund on behalf of all members. The group has no exposure in respect of any post-retirement benefits payable other than those set out in note 20.

Accounting policies

The group contributes to provident and retirement funds classified as defined contribution funds.

The group pays fixed contributions to privately administered provident or retirement fund plans on a contractual basis. The group has no further payment obligations.

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.

39. Related party transactions

During the year, the company and its subsidiaries in the ordinary course of business entered into various transactions with other group companies.

	GROUP		COMPANY	
R'000	2024	2023	2024	2023
Subsidiaries				
Dividends				
Ordinary dividend received (Capitec Bank Limited)	**–**	–	**3 427 123**	3 917 498
Preference dividend received (Capitec Bank Limited)	**–**	–	**4 763**	4 185
Ordinary dividend received (Capitec Ins Proprietary Limited)	**–**	–	**2 350 000**	1 562 000
Management fees received – Capitec Bank Limited	**–**	–	**6 113**	4 096
Joint venture				
Grants paid	**18 959**	15 950	**–**	–
Service fees	**2 106**	3 041	**–**	–
Imvelo Ventures Proprietary Limited	**21 065**	18 991	**–**	–
Bank account				
Capitec Bank Limited	**–**	–	**301 219**	696
Loans due (to)/from:				
Capitec Bank Limited	**–**	–	**(37 791)**	(24 405)
Key management				
Key management employees' remuneration				
Salaries and other short-term benefits	**49 137**	56 987	**–**	–
Post-employment benefits	**18 418**	2 527	**–**	–
Share-based payments	**66 946**	35 328	**–**	–
Key management compensation paid by subsidiaries	**134 501**	94 842	**–**	–

Key management is considered to be the members of the group EXCO, excluding development members. Key management compensation excludes directors' remuneration. The members of the group EXCO are the prescribed officers of the company.

Refer to note 40.8 for movements in the loan due to Capitec Bank Limited.

Loans to companies where directors are shareholders

Included in loans and advances to clients is a loan in the amount of R 22.8 million (2023: R15.2 million) to Sureship Investments Proprietary Limited in which Mr GM Fourie is a shareholder.

	GROUP		COMPANY	
R'000	2024	2023	2024	2023
Loans and advances to directors and other key management employees advanced by subsidiaries and included in loans and advances to clients in respect of the share option scheme and retail loans				
Loans outstanding at the beginning of the year	**4 793**	2 970	**–**	–
Loans advanced during the year	**13 149**	25 899	**–**	–
Interest and fees charged on loans during the year	**305**	381	**–**	–
Loan repayments during the year	**(17 125)**	(24 457)	**–**	–
Loans outstanding at the end of the year	**1 122**	4 793	**–**	–
Retail deposits from directors and other key management employees				
Deposits at the beginning of the year	**17 063**	37 521	**–**	–
Interest earned during the year	**1 332**	1 700	**–**	–
(Withdrawals)/Deposits made during the year	**6 360**	(22 158)	**–**	–
Deposits at the end of the year	**24 755**	17 063	**–**	–

Loans to other key management employees by subsidiaries have fixed repayment terms and bear interest at the official rate for individuals as determined by SARS. Savings and deposits are unsecured, carry variable interest rates and are repayable on demand.

Directors' interest in agreements

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

Directors' interest in share capital

At year-end, the directors held, in aggregate, directly or indirectly, beneficially or non-beneficially, interests in 21.0 million (2023: 21.9 million) Capitec Bank Holdings Limited shares, equivalent to 18.1% (2023: 18.9%) of the issued ordinary share capital.

Notes to the financial statements continued

Year ended 29 February 2024

39. Related party transactions continued

Directors' interest in share capital continued

The individual interests of the directors including those who resigned and retired during the year were as follows:

	Number of shares held					
	Beneficial		Non-beneficial		Total	
Ordinary shares	Direct	Indirect[1]	Direct	Indirect[1]	Shares	%
2024						
NF Bhettay[4]	—	—	—	—	—	—
SL Botha *(chairman)*	—	—	—	—	—	—
SA du Plessis	700	—	—	—	700	—
CH Fernandez	—	—	—	—	—	—
N Ford-Hoon[4]	—	—	—	—	—	—
GM Fourie[2]	4 763	1 015 203	—	7 707	1 027 673	0.89
GR Hardy[2]	3 718	—	—	—	3 718	—
MSdP le Roux[5]	—	—	—	13 193 193	13 193 193	11.36
V Mahlangu	—	—	—	—	—	—
TE Mashilwane[6]	—	—	—	—	—	—
NS Mashiya[7]	15 144	8 065	—	—	23 209	0.02
DP Meintjes[8]	—	—	—	—	—	—
PJ Mouton	—	6 685 622	—	66 914	6 752 536	5.82
CA Otto	1 092	—	—	—	1 092	—
JP Verster	—	—	—	—	—	—
Total shares held[3]	**25 417**	**7 708 890**	**—**	**13 267 814**	**21 002 121**	**18.09**
2023						
SL Botha *(chairman)*	—	—	—	—	—	—
AP du Plessis[2][9]	13 791	887 315	—	—	901 106	0.78
SA du Plessis	700	—	—	—	700	—
CH Fernandez	—	—	—	—	—	—
GM Fourie[2]	4 763	1 015 203	—	7 707	1 027 673	0.88
GR Hardy[2][10]	3 718	—	—	—	3 718	—
MSdP le Roux[5]	—	—	—	13 190 043	13 190 043	11.36
V Mahlangu	—	—	—	—	—	—
TE Mashilwane	—	—	—	—	—	—
NS Mashiya[2]	15 774	7 399	—	—	23 173	0.02
DP Meintjes	—	—	—	—	—	—
PJ Mouton	—	6 685 622	—	66 914	6 752 536	5.82
CA Otto	1 092	—	—	—	1 092	—
JP Verster	—	—	—	—	—	—
Total shares held	39 838	8 595 539	—	13 264 664	21 900 041	18.86

(1) *Includes shareholding through associates as defined in terms of the JSE Listings Requirements.*

(2) *The executive directors are prescribed officers of the company.*

(3) *No transactions occurred after year-end and before the date of approval of the financial statements that can impact any shareholding of any director.*

(4) *Mses NF Bhettay and N Ford-Hoon were appointed to the board effective 7 September 2023.*

(5) *Mr MSdP le Roux's associates, Fynbos Ekwiteit Proprietary Limited (Fynbos), previously known as Limietberg Sekuriteit Proprietary Limited, and Kalander Sekuriteit Proprietary Limited (Kalander), underwent a restructure resulting in Fynbos transferring Capitec Bank Holdings Limited (Capitec) shares to Kalander such that Fynbos' direct shareholding in Capitec is 4.89% and Kalander's direct shareholding in Capitec is 5.57%. Further to announcements released on the Stock Exchange News Service (SENS) on 16 May 2022, 15 June 2022 and 4 July 2022, Kalander cash-settled the hedging and financing transaction announced on SENS on 11 June 2019, and implemented new hedging and refinancing transactions over 575 000 and 625 000 shares, respectively, released from the settled transactions. In February 2023, Kalander also cash-settled the hedging and financing transaction announced on 24 February 2020 with short-term facilities. Further to announcements released on SENS on 2 May 2023 and 30 August 2023, Kalander cash-settled the hedging and financing transactions announced on 1 June 2020, 1 July 2021 and 24 February 2020, and implemented new hedging and refinancing transactions over 1 000 008 and 300 006 shares, respectively, released from the settled transactions (the 'refinancing' transactions). In aggregate, 3.75 million Capitec shares are subject to the hedging transactions as at 29 February 2024 (2023: 3.7 million). Financing facilities are covered by 3.2 million Capitec shares (2023: 3.2 million). The intention remains to eventually cash-settle the hedge and financing transactions.*

(6) *Ms TE Mashilwane stepped down from the board effective 30 September 2023.*

(7) *Mr NS Mashiya resigned, effective 31 March 2023.*

(8) *Mr DP Meintjes stepped down from the board effective 31 May 2023.*

(9) *Mr AP du Plessis retired from the board on 30 June 2022.*

(10) *Mr GR Hardy was appointed to the board effective 1 July 2022.*

Directors' interest in share incentive scheme – share options

					(Share options exercised/cancelled)/ Share options granted			
Director	Maturity date[1]	Issue date	Strike price R	Opening balance number of share options	Number of share options	Market price R	Exercise date	Closing balance number of share options
2024								
GM Fourie	28 March 2023	28 March 2018	881.76	5 739	(5 739)	1 810.02	12 October 2023	—
(direct beneficial)	29 March 2023	1 April 2017	705.93	6 376	(6 376)	1 810.02	12 October 2023	—
	29 March 2023	29 March 2019	1 175.01	5 107	(5 107)	1 810.02	12 October 2023	—
	8 April 2023	8 April 2020	973.05	6 676	(6 676)	1 810.02	12 October 2023	—
	28 March 2024	28 March 2018	881.76	5 739	—	—	—	5 739
	29 March 2024	29 March 2019	1 175.01	5 107	—	—	—	5 107
	8 April 2024	8 April 2020	973.05	6 676	—	—	—	6 676
	12 April 2024	11 February 2021	1 392.19	5 421	—	—	—	5 421
	29 March 2025	29 March 2019	1 175.01	5 107	—	—	—	5 107
	8 April 2025	8 April 2020	973.05	6 676	—	—	—	6 676
	12 April 2025	11 February 2021	1 392.19	5 420	—	—	—	5 420
	23 April 2025	22 February 2022	2 067.19	4 629	—	—	—	4 629
	8 April 2026	8 April 2020	973.05	6 675	—	—	—	6 675
	12 April 2026	11 February 2021	1 392.19	5 420	—	—	—	5 420
	21 April 2026	21 February 2023	1 828.19	—	5 921	—	—	5 921
	23 April 2026	22 February 2022	2 067.19	4 628	—	—	—	4 628
	12 April 2027	11 February 2021	1 392.19	5 420	—	—	—	5 420
	21 April 2027	21 February 2023	1 828.19	—	5 920	—	—	5 920
	23 April 2027	22 February 2022	2 067.19	4 628	—	—	—	4 628
	21 April 2028	21 February 2023	1 828.19	—	5 920	—	—	5 920
	23 April 2028	22 February 2022	2 067.19	4 628	—	—	—	4 628
	21 April 2029	21 February 2023	1 828.19	—	5 920	—	—	5 920
Total options				100 072	(217)			99 855
GR Hardy	28 September 2023	28 September 2020	911.63	412	—	—	—	412
(direct beneficial)	28 September 2024	28 September 2020	911.63	412	—	—	—	412
	23 April 2025	22 February 2022	2 067.19	1 134	—	—	—	1 134
	1 July 2025	1 July 2022	2 106.13	413	—	—	—	413
	28 September 2025	28 September 2020	911.63	411	—	—	—	411
	21 April 2026	21 February 2023	1 828.19	—	2 764	—	—	2 764
	23 April 2026	22 February 2022	2 067.19	1 134	—	—	—	1 134
	1 July 2026	1 July 2022	2 106.13	412	—	—	—	412
	28 September 2026	28 September 2020	911.63	411	—	—	—	411
	21 April 2027	21 February 2023	1 828.19	—	2 763	—	—	2 763
	23 April 2027	22 February 2022	2 067.19	1 134	—	—	—	1 134
	1 July 2027	1 July 2022	2 106.13	412	—	—	—	412
	21 April 2028	21 February 2023	1 828.19	—	2 763	—	—	2 763
	23 April 2028	22 February 2022	2 067.19	1 133	—	—	—	1 133
	1 July 2028	1 July 2022	2 106.13	412	—	—	—	412
	21 April 2029	21 February 2023	1 828.19	—	2 763	—	—	2 763
Total options				7 830	11 053	—	—	18 883
Total options held by directors				107 902	10 836			118 738

(1) *The director has 9 months after maturity to exercise the share options.*

Notes to the financial statements continued

Year ended 29 February 2024

39. Related party transactions continued

Directors' interest in share incentive scheme – SARs

Director	Maturity date[1]	Issue date	SAR exercise price R	Opening balance number of SARs	(SARs exercised/cancelled)/ SARs granted Number of SARs	Market price R	Exercise date	Closing balance number of SARs
2024								
GM Fourie	28 March 2023	28 March 2018	881.76	5 739	(5 739)	1 789.98	31 July 2023	—
(direct beneficial)	29 March 2023	1 April 2017	705.93	6 376	(6 376)	1 789.98	31 July 2023	—
	29 March 2023	29 March 2019	1 175.01	5 107	(5 107)	1 789.98	31 July 2023	—
	8 April 2023	8 April 2020	973.05	6 676	(6 676)	1 789.98	31 July 2023	—
	28 March 2024	28 March 2018	881.76	5 739	—	—	—	5 739
	29 March 2024	29 March 2019	1 175.01	5 107	—	—	—	5 107
	8 April 2024	8 April 2020	973.05	6 676	—	—	—	6 676
	12 April 2024	11 February 2021	1 392.19	5 421	—	—	—	5 421
	29 March 2025	29 March 2019	1 175.01	5 107	—	—	—	5 107
	8 April 2025	8 April 2020	973.05	6 676	—	—	—	6 676
	12 April 2025	11 February 2021	1 392.19	5 420	—	—	—	5 420
	23 April 2025	22 February 2022	2 067.19	4 629	—	—	—	4 629
	8 April 2026	8 April 2020	973.05	6 675	—	—	—	6 675
	12 April 2026	11 February 2021	1 392.19	5 420	—	—	—	5 420
	21 April 2026	21 February 2023	1 828.19	—	5 921	—	—	5 921
	23 April 2026	22 February 2022	2 067.19	4 628	—	—	—	4 628
	12 April 2027	11 February 2021	1 392.19	5 420	—	—	—	5 420
	21 April 2027	21 February 2023	1 828.19	—	5 920	—	—	5 920
	23 April 2027	22 February 2022	2 067.19	4 628	—	—	—	4 628
	21 April 2028	21 February 2023	1 828.19	—	5 920	—	—	5 920
	23 April 2028	22 February 2022	2 067.19	4 628	—	—	—	4 628
	21 April 2029	21 February 2023	1 828.19	—	5 920	—	—	5 920
Total SARs				100 072	(217)			99 855
GR Hardy	28 September 2023	28 September 2020	911.63	412	(412)	—	24 January 2024	—
(direct beneficial)	28 September 2024	28 September 2020	911.63	412	—	—	—	412
	23 April 2025	22 February 2022	2 067.19	1 134	—	—	—	1 134
	1 July 2025	1 July 2022	2 106.13	413	—	—	—	413
	28 September 2025	28 September 2020	911.63	411	—	—	—	411
	21 April 2026	21 February 2023	1 828.19	—	2 764	—	—	2 764
	23 April 2026	22 February 2022	2 067.19	1 134	—	—	—	1 134
	1 July 2026	1 July 2022	2 106.13	412	—	—	—	412
	28 September 2026	28 September 2020	911.63	411	—	—	—	411
	21 April 2027	21 February 2023	1 828.19	—	2 763	—	—	2 763
	23 April 2027	22 February 2022	2 067.19	1 134	—	—	—	1 134
	1 July 2027	1 July 2022	2 106.13	412	—	—	—	412
	21 April 2028	21 February 2023	1 828.19	—	2 763	—	—	2 763
	23 April 2028	22 February 2022	2 067.19	1 133	—	—	—	1 133
	1 July 2028	1 July 2022	2 106.13	412	—	—	—	412
	21 April 2029	21 February 2023	1 828.19	—	2 763	—	—	2 763
Total SARs				7 830	10 641			18 471
Total SARs held by directors				107 902	10 424			118 326

[1] The director has 9 months after maturity to exercise the share options.

Directors' remuneration

The total share option expense relating to directors amounted to R17 002 868 (2023: R10 855 243) and the SAR expense amounted to R27 254 373 (2023: income of R24 640 380) due to the increase in the Capitec share price during the current year.

R'000	Salaries	Fringe benefits	Bonuses	Fees	Total	Fair value of options and rights granted during the year at the reporting date
2024						
Executive[1]						
GM Fourie	**17 280**	**133**	**5 832**	**—**	**23 245**	**6 740**
GR Hardy	**8 458**	**109**	**2 917**	**—**	**11 484**	**3 146**
NS Mashiya[2]	**1 121**	**8**	**—**	**—**	**1 129**	**—**
Non-executive						
NF Bhettay[3]	**—**	**—**	**—**	**413**	**413**	**—**
SL Botha *(chairman)*	**—**	**—**	**—**	**5 300**	**5 300**	**—**
SA du Plessis	**—**	**—**	**—**	**1 725**	**1 725**	**—**
CH Fernandez	**—**	**—**	**—**	**1 418**	**1 418**	**—**
N Ford-Hoon[4]	**—**	**—**	**—**	**413**	**413**	**—**
MSdP le Roux	**—**	**—**	**—**	**616**	**616**	**—**
V Mahlangu	**—**	**—**	**—**	**1 482**	**1 482**	**—**
TE Mashilwane[5]	**—**	**—**	**—**	**712**	**712**	**—**
DP Meintjes[6]	**—**	**—**	**—**	**275**	**275**	**—**
PJ Mouton	**—**	**—**	**—**	**1 093**	**1 093**	**—**
CA Otto	**—**	**—**	**—**	**897**	**897**	**—**
JP Verster	**—**	**—**	**—**	**2 166**	**2 166**	**—**
Total directors' remuneration	**26 859**	**250**	**8 749**	**16 510**	**52 368**	**9 886**
2023						
Executive[1]						
AP du Plessis[7]	5 408	640	—	—	6 048	—
GM Fourie	16 000	920	5 427	—	22 347	3 993
GR Hardy[8]	4 667	46	1 563	—	6 276	1 222
NS Mashiya[2]	6 664	88	—	—	6 752	—
Non-executive						
SL Botha *(chairman)*	—	—	—	4 393	4 393	—
MSdP le Roux	—	—	—	580	580	—
SA du Plessis	—	—	—	1 417	1 417	—
CH Fernandez	—	—	—	941	941	—
V Mahlangu	—	—	—	1 268	1 268	—
TE Mashilwane	—	—	—	1 136	1 136	—
DP Meintjes	—	—	—	1 029	1 029	—
PJ Mouton	—	—	—	920	920	—
CA Otto	—	—	—	951	951	—
JP Verster	—	—	—	1 665	1 665	—
Total directors' remuneration	32 739	1 694	6 990	14 300	55 723	5 215

[1] The executive directors are prescribed officers of the company.
[2] Mr NS Mashiya resigned on 31 March 2023.
[3] Ms NF Bhettay was appointed on 7 September 2023.
[4] Ms N Ford-Hoon was appointed on 7 September 2023.
[5] Ms TE Mashilwane resigned on 30 September 2023.
[6] Mr DP Meintjes retired on 26 May 2023.
[7] Mr AP du Plessis retired on 30 June 2022.
[8] Mr GR Hardy was appointed on 1 July 2022.

Notes to the financial statements continued

Year ended 29 February 2024

39. Related party transactions continued

Prescribed officers' remuneration[1]

R'000	Salaries	Fringe benefits	Bonuses	Total	Fair value of options and rights granted during the year at the reporting date
2024					
KE Barker	**4 083**	**48**	**1 400**	**5 531**	**1 296**
R Butler	**5 940**	**83**	**4 032**	**10 055**	**1 553**
W de Bruyn	**8 697**	**96**	**2 929**	**11 722**	**2 821**
KR Kumbier	**7 312**	**79**	**2 475**	**9 866**	**2 384**
HAJ Lourens	**9 775**	**114**	**3 297**	**13 186**	**2 540**
GR Lee	**6 750**	**204**	**2 300**	**9 254**	**2 215**
I Moola[2]	**1 896**	**19**	**5 694**	**7 609**	**815**
F Viviers	**5 741**	**255**	**1 943**	**7 939**	**1 498**
Total prescribed officers' remuneration	**50 194**	**898**	**24 070**	**75 162**	**15 122**
2023					
KE Barker	2 333	34	782	3 149	241
R Butler	7 083	179	3 618	10 880	939
W de Bruyn	8 156	99	2 764	11 019	1 793
KR Kumbier	6 644	381	2 261	9 286	1 291
HAJ Lourens	8 875	522	3 082	12 479	2 000
GR Lee	4 000	60	1 340	5 400	734
F Viviers	5 183	341	1 776	7 300	922
Total prescribed officers' remuneration	42 274	1 616	15 623	59 513	7 920

[1] *The members of the group EXCO are prescribed officers of the company.*
[2] *Mr I Moola was appointed on 1 October 2023.*

The total share option expense relating to the prescribed officers above amounted to R41 805 817 (2023: R15 684 376) and the SARs expense amounted to R41 938 631 (2023: R16 895 927). The expense includes the movement on all tranches.

Financial assistance amounting to R750 000 (2023: Rnil) was granted to prescribed officers for the subscription of share options. Loans to prescribed officers outstanding at the reporting date amounted to R5 046 626 (2023: R5 022 918).

40. Notes to the cash flow statements

40.1 Cash flow from operations

		GROUP		COMPANY	
R'000	Note	2024	Restated[2] 2023	2024	2023
Net profit before tax and equity accounted earnings	40.2	**13 376 620**	11 545 533	**5 847 568**	5 483 672
Deduct interest income calculated using the effective interest rate		**(25 118 273)**	(20 783 348)	**(579)**	(437)
Deduct interest on investments at FVTPL		**(687 527)**	(415 915)	**–**	–
Add back interest expenses		**9 341 813**	6 992 691	**–**	–
Deduct dividend income		**–**	–	**(5 781 886)**	(5 483 683)
Adjusted for non-cash items					
Movement in provision for credit impairment[1]		**2 777 356**	2 083 558	**–**	–
Bad debts written off		**9 329 727**	6 627 491	**–**	–
Lease liability remeasurement		**(5 228)**	(34 667)	**–**	–
Depreciation		**766 599**	636 130	**–**	–
Unrealised foreign exchange loss/(gain)		**4 825**	(7 376)	**–**	–
Depreciation – right-of-use assets – premises		**447 884**	373 834	**–**	–
Amortisation of intangible assets		**152 923**	140 974	**–**	–
Loss on disposal of assets		**22 286**	7 071	**–**	–
Reversal of impairment of investment in associates		**–**	–	**(65 682)**	–
Equity-settled share-based payment		**60 102**	165 228	**–**	–
IFRS 17 non-cash items		**(2 916 227)**	(2 684 531)	**–**	–
Other non-cash items		**(2 567)**	(29 105)	**–**	–
Movements in assets and liabilities					
Loans and advances	40.3	**(14 477 822)**	(20 304 895)	**–**	–
Financial investments at FVTPL	5	**(247 663)**	(240 000)	**–**	–
Other receivables[2]	40.3	**(3 603 603)**	(2 114 244)	**(252 113)**	(593)
Insurance contract assets[2]	40.3	**1 926 017**	1 260 785	**–**	–
Insurance contract liabilities[2]	40.3	**–**	–	**–**	–
Derivatives		**7 856**	(20 005)	**–**	–
Deposits and other wholesale funding	40.3	**8 728 859**	11 254 108	**–**	–
Trade and other payables	40.3	**1 488 233**	(821 953)	**354**	(1 602)
Movements in employee benefit liabilities		**(2 253)**	(269 842)	**–**	–
Share-based employee costs – SARs[3]		**24 729**	(122 497)	**–**	–
Share-based employee costs – RSP[3]		**(41 219)**	70 860	**–**	–
Fair value gains reclassified to profit or loss		**(3 178)**	10 215	**–**	–
Cash flow from operations		**1 350 269**	(6 679 900)	**(252 338)**	(2 643)

[1] *ECL – non-loan book is included in the movement in provision for credit impairment.*
[2] *The financial statements have been restated for the adoption of IFRS 17 Insurance Contracts. Refer to note 3 Restatement – adoption of IFRS 17 and related assessments.*
[3] *The following line items have been separately disclosed in the current year following the JSE's report on the proactive monitoring of financial statements recommendations.*

Notes to the financial statements continued

Year ended 29 February 2024

40. Notes to the cash flow statements continued

40.2 Net profit before tax and equity accounted earnings

R'000	GROUP 2024	GROUP 2023	COMPANY 2024	COMPANY 2023
Net profit before tax and equity accounted earnings as previously reported	13 376 620	12 101 331	5 847 568	5 483 672
Restatements – transition to IFRS 17[(1)]	–	(555 798)	–	–
Restated net profit before tax and equity accounted	**13 376 620**	**11 545 533**	**5 847 568**	**5 483 672**

40.3 Movement in operating assets and liabilities

R'000	GROUP 2024	GROUP 2023	COMPANY 2024	COMPANY 2023
Movement in loans and advances to clients	(14 477 822)	(20 304 895)	–	–
Gross loans and advances opening balance	97 814 471	84 107 924	–	–
Gross loans and advances closing balance	(102 990 453)	(97 814 471)	–	–
Movement in accrued interest	27 887	29 143	–	–
Bad debts written off	(9 329 727)	(6 627 491)	–	–
Other receivables	(3 603 603)	(2 114 244)	(252 113)	(593)
Opening balance as previously reported	4 803 264	3 284 984	2 727	2 134
Restatements – transition to IFRS 17[(1)]	–	(477 823)	–	–
Restated opening balance	**4 803 264**	**2 807 161**	**2 727**	**2 134**
Closing balance as previously reported	(8 406 867)	(6 429 195)	(253 911)	(2 727)
Restatements - transition to IFRS 17[(1)]	–	1 625 931	–	–
Restated closing balance	**(8 406 867)**	**(4 803 264)**	**(254 840)**	**(2 727)**
Non-cash item	–	(118 141)	–	–
Insurance contract assets[(1)]	1 926 017	1 260 785	–	–
Opening balance	1 970 734	745 311	–	–
IFRS 17 non-cash items	2 916 227	2 486 208	–	–
Closing balance	(2 960 944)	(1 970 734)	–	–
Insurance contract liabilities[(1)]	–	–	–	–
Opening balance	–	198 323	–	–
Non-cash item	–	(198 323)	–	–
Closing balance	–	–	–	–
Deposits and wholesale funding[(2)]	8 728 859	11 254 108	–	–
Movement in deposits	8 904 194	11 629 971	–	–
Movement in other wholesale funding	(175 335)	(375 863)	–	–
Trade and other payables	1 488 233	(821 953)	354	(1 602)
Movement in trade and other payables	1 488 233	(821 953)	354	(1 602)

[(1)] *The financial statements have been restated for the adoption of IFRS 17 Insurance Contracts. Refer to note 3 Restatement – Transition to IFRS 17 Insurance Contracts.*

[(2)] *Relates to deposits and unlisted negotiable instruments and other wholesale funding. Refer to note 17.*

40.4 Income tax paid

R'000	GROUP 2024	GROUP 2023	COMPANY 2024	COMPANY 2023
Balance at the beginning of the year	(40 701)	301 951	–	–
Income statement charge	2 880 807	2 491 811	12 786	9 195
Movement in deferred tax	137 194	(331 143)	–	–
Tax effect on settlement of share options taken to equity	(12 683)	42 402	–	–
Balance at the end of the year	(251 977)	40 701	–	–
Income tax paid	**2 712 640**	**2 545 722**	**12 786**	**9 195**

40.5 Proceeds from the disposal of property and equipment

R'000	GROUP 2024	GROUP 2023
Disposal of property and equipment at net book value	52 103	27 929
Loss on the sale of property and equipment	(22 286)	(6 828)
Non-cash items	–	(4 275)
Disposal of property and equipment per the statement of cash flows	**29 817**	**16 826**

Proceeds from the disposal of property and equipment are classified as investing cash flows.

40.6 Proceeds on the disposal of intangible assets

R'000	GROUP 2024	GROUP 2023
Disposal of intangible assets at net book value	–	243
Loss on the sale of intangible assets	–	(243)
Disposal of intangible assets per the statement of cash flows	**–**	**–**

Proceeds from the disposal of intangible assets are classified as investing cash flows.

40.7 Dividends paid

R'000	GROUP 2024	GROUP 2023	COMPANY 2024	COMPANY 2023
Balance at the beginning of the year	10 115	8 263	12 048	8 263
Ordinary dividend (Group: Net of treasury shares)	5 011 260	6 187 142	5 022 300	6 199 732
Preference dividend	4 763	4 185	4 763	4 185
Balance at the end of the year	(3 023)	(10 115)	(9 643)	(12 048)
Dividends paid	**5 023 115**	**6 189 475**	**5 029 468**	**6 200 132**

Dividends paid are classified as financing cash flows.

40.8 Net debt reconciliation – group loans

R'000	COMPANY 2024	COMPANY 2023
Group loans payable at the beginning of the year	24 405	13 680
Loans from group companies – granted	26 164	22 187
Loans from group companies – repaid	(12 778)	(11 462)
Group loans payable at the end of the year	**37 791**	**24 405**

Notes to the financial statements continued

Year ended 29 February 2024

40. Notes to the cash flow statements continued

40.9 Lease liability cash flow

R'000	GROUP 2024	2023
Lease liability cash flow	**617 196**	572 400
Lease liability opening balance	**2 305 062**	2 424 694
New leases	**579 323**	427 286
Terminations	**(97 128)**	(175 412)
IFRS 16 interest	**213 122**	200 894
Lease liability closing balance	**(2 383 183)**	(2 305 062)
Total cash flow lease liability	**617 196**	572 400
Portion included in operating activities	**210 636**	202 097
Portion included in financing activities	**406 560**	370 303

The portion included in operating activities comprises interest paid. The portion included in financing activities comprises lease rentals paid.

40.10 Realised loss on settlement of employee share options less participants' contributions

R'000	GROUP 2024	2023
Shares acquired for settlement of options per the cash flow statement	**(74 080)**	(111 234)
Strike price of share options	**105 908**	78 831
Adjusted for non-cash flow items:		
– Net settlement of share options	**(95 773)**	(44 685)
Realised loss on settlement of employee share options less participants' contributions	**(63 945)**	(77 088)

40.11 Interest received

	GROUP		COMPANY	
R'000	2024	2023	2024	2023
Interest income per the income statement	**25 805 800**	21 199 263	579	437
Adjusted for accrued interest income (non-cash items)				
Investments at amortised cost	**(857 315)**	(525 589)	–	–
Term deposits	**46 861**	(156 874)	–	–
Loans and advances	**(27 887)**	(29 143)	–	–
Financial assets at FVTPL	**(17 266)**	(49 051)	–	–
Interest received per the statement of cash flows	**24 950 193**	20 438 606	579	437

Interest received is classified as cash flow from operating activities.

40.12 Interest paid

R'000	GROUP 2024	2023
Interest expense per the income statement	**(9 341 813)**	(6 992 691)
Adjusted for accrued interest expense (non-cash items)		
Deposits	**30 531**	31 061
Senior listed bonds	**7 424**	4 730
Lease liabilities	**2 486**	(1 202)
Interest paid per the statement of cash flows	**(9 301 372)**	(6 958 102)

Interest paid is classified as cash flow from operating activities.

41. Commitments and contingent liabilities

R'000	GROUP 2024	2023
Capital commitments – approved by the board		
Contracted for:		
Property and equipment[(1)]	**745 225**	672 328
Intangible assets	**10 938**	2 451
Not contracted for:		
Property and equipment	**728 651**	1 034 140
Intangible assets	**259 783**	206 068
Total capital commitments	**1 744 597**	1 914 987
Loan commitments – gross of loss allowances[(2)]		
Retail bank loan commitments – off-balance sheet	**13 759 275**	15 799 468
Access facility	**11 074 493**	13 710 124
Credit card	**2 684 782**	2 089 344
Business bank loan commitments – off-balance sheet	**400 706**	303 706
Bonds	**315 153**	219 907
Credit card	**85 553**	83 799
Guarantees – Business bank	**558 626**	771 397
Letters of credit – Business bank	**54 928**	32 229
Total loan commitments, guarantees and letters of credit	**14 773 535**	16 906 800

(1) *Contracted capital commitments for property and equipment include property amounting to R400 million (2023: 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. Refer to note 18.*

42. Borrowing powers

In terms of the memorandum of incorporation of Capitec Bank Holdings 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 and section 45(3)(a)(ii) of the Companies Act. A special resolution was passed at the AGM on 26 May 2023 authorising the board to approve that the company provides any financial assistance that it deems fit to any related or interrelated company to the company, on the terms and conditions and for the amounts that the board may determine.

43. Share incentive schemes

43.1 Share options, share appreciation rights and the share incentive trust

Accounting policies

Share options

The group operates equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the share options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options on grant date, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

Non-market vesting conditions are included in assumptions about the number of share options that are expected to become exercisable. At each statement of financial position date, the entity revises its estimates of the number of share options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement and a corresponding adjustment to retained income in the statement of changes in equity over the remaining vesting period.

The fair value of equity instruments granted is measured on grant date using an appropriate valuation model, which takes into account the market price on grant date, the cost of funding as well as an assumption on the actual percentage of shares that will be delivered.

Share appreciation rights

The group also has 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 group remeasures 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.

Share incentive trust

The share incentive scheme is authorised and adopted by the shareholders of Capitec Bank Holdings Limited. 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 Capitec Bank Holdings Limited and the bank. The bank provides the finance required from time to time by the trustees to perform their duties. Service costs of share options issued to employees of subsidiaries of Capitec Bank Holdings Limited are financed by the relevant subsidiary.

The group allows its employees to purchase shares in Capitec Bank Holdings Limited up to a value not exceeding 20% (2023: 20%) of their monthly salary.

The purchase price includes a subsidy of 20% (2023: 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 group offers share options to members of management who are able to make significant contributions to the achievement of the bank's objectives. Share options are conditional on the employee completing the vesting period applicable to each group of share options issued to that employee.

The share incentive scheme prescribes that share options, with durations ranging from 2 to 6 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 prior to the date of allocation.

	2024 Weighted average strike price R	2024 Number	2023 Weighted average strike price R	2023 Number
Share options issued to employees of the group				
Balance at the beginning of the year	**1 198.90**	**524 268**	1 007.37	557 498
Options granted	**1 807.68**	**143 146**	2 073.18	99 376
Options cancelled and/or lapsed	**986.86**	**(6 689)**	1 155.05	(30 321)
Options exercised	**930.66**	**(113 278)**	821.56	(102 285)
Balance at the end of the year	**1 361.40**	**547 447**	1 198.90	524 268
SARs issued to employees of the group				
Balance at the beginning of the year	**1 179.82**	**524 268**	987.60	557 498
SARs granted	**1 807.68**	**143 146**	2 073.18	99 376
SARs cancelled and/or lapsed	**986.86**	**(6 689)**	1 155.05	(30 321)
SARs exercised	**929.96**	**(114 262)**	821.56	(102 285)
Balance at the end of the year	**1 344.35**	**546 463**	1 179.82	524 268

Analysis of outstanding share options by year of maturity	2024 Weighted average strike price R	2024 Number	2023 Weighted average strike price R	2023 Number
Financial year				
2023/2024	**958.83**	**5 033**	934.64	114 695
2024/2025	**1 034.44**	**115 370**	1 031.12	118 598
2025/2026	**1 235.93**	**116 074**	1 221.88	119 292
2026/2027	**1 335.17**	**131 996**	1 224.96	99 321
2027/2028	**1 790.72**	**84 142**	1 772.84	49 018
2028/2029	**1 940.55**	**59 046**	2 073.42	23 344
2029/2030	**1 807.68**	**35 786**	—	—
Total outstanding share options	**1 361.40**	**547 447**	1 198.90	524 268

Number	2024	2023
Shares available from the previous period	**7 341**	—
Shares purchased/issued during the year	**43 000**	82 717
Shares utilised for settlement of options	**(47 569)**	(75 376)
Shares available for settlement of options	**2 772**	7 341
Settled in shares	**(47 569)**	(75 376)
Options exercised	**(47 569)**	(75 376)

43. Share incentive schemes continued

43.1 Share options, share appreciation rights and the share incentive trust continued

Accounting policies continued

Share incentive trust continued

Analysis of outstanding SARs by year of maturity	2024 Weighted average strike price R	2024 Number	2023 Weighted average strike price R	2023 Number
Financial year				
2023/2024	**852.63**	**4 049**	919.41	114 695
2024/2025	**1 011.27**	**115 370**	1 009.35	118 598
2025/2026	**1 214.95**	**116 074**	1 202.04	119 292
2026/2027	**1 315.87**	**131 995**	1 203.18	99 321
2027/2028	**1 776.33**	**84 141**	1 750.93	49 018
2028/2029	**1 940.55**	**59 047**	2 073.42	23 344
2029/2030	**1 807.68**	**35 787**	—	—
	1 344.35	**546 463**	1 179.82	524 268

43.2 Izindaba Ezinhle Employee Share Scheme

Accounting policies

The Izindaba Ezinhle Employee Share Scheme is accounted for in terms of IFRS 2 *Share-based Payment*. The scheme involves the issuing of shares to participating employees.

The scheme was accounted for in terms of IFRS 2 *Share-based Payment* as a cash-settled share-based payment transaction by Capitec Bank Limited in so far as Capitec Bank Limited had an obligation to pay 50% of the subscription price, on behalf of the employees, to Capitec Bank Holdings Limited, with the remaining balance being funded through loans provided to the participating employees.

The part of the scheme funded by the loans was accounted for as equity-settled in both the Capitec Bank Limited and Capitec Bank Holdings Limited separate financial statements. The cash received by Capitec Bank Holdings Limited as part of the cash-settled share-based payment transaction is separately accounted for in the equity in Capitec Bank Holdings Limited's separate financial statements. The whole scheme is accounted for as equity-settled for the group as the shares of Capitec Bank Holdings Limited were issued to employees of the group. The Izindaba Ezinhle Employee Share Scheme entry in equity in the separate financial statements is eliminated on consolidation to recognise a share option reserve.

The fair value of the equity instruments granted was measured using a Monte Carlo simulation, an option pricing model which takes into account the market price on grant date, the cost of funding as well as an assumption on the actual shares that will be delivered on repayment of the loan after 5 years. The fair value on the grant date is recognised in the income statement, with a corresponding increase in equity (share option reserve) in terms of IFRS 2 in the consolidated financial statements. As there are no service or performance conditions attached to the scheme, the expense is recognised on the grant date. A 5-year trade restriction is imposed in respect of the issued shares.

Capitec will retain 50% of the dividends for the purpose of settling the accrued interest payable on the loans, and the remaining 50% of the dividends will be paid to the participating employees. Employees do not need to be in the employment of the group on any predetermined dates in future, therefore vesting occurred on the grant date.

The employees will be required to repay the loans and interest thereon at the end of the 5-year period. Capitec's recourse is limited to the number of shares that were issued to the employees in terms of the pledge and cession agreement with the employee. The loans to the employees will not be recognised in terms of IFRS 9 *Financial Instruments* as Capitec may not pursue full recourse to the employees in respect of the loans.

	Date awarded	Exercise date	Number of shares
2022			
Shares awarded	22 February 2022	22 February 2027	472 852

Capitec Bank Holdings Limited separate financial statements

Cash in the amount of R491.978 million, received from Capitec Bank on behalf of the employees, was separately recognised in equity in the separate financial statements of Capitec Bank Holdings Limited due to the 5-year trade restriction that was imposed on the shares. The cash was previously recognised in the statement of cash flows as cash flow from financing activities. The 472 852 shares may be recognised as issued on expiry of the 5-year trade restriction based on the settlement of the outstanding loan amount. The part of the scheme funded through the loans to the employees of Capitec Bank Holdings Limited is accounted for as equity-settled in both the Capitec Bank Limited and Capitec Bank Holdings Limited separate financial statements. The fair value of the equity instruments granted is measured using a Monte Carlo simulation and amounted to R23.831 million.

Capitec Bank Holdings Limited consolidated financial statements

The cash received from Capitec Bank Limited recognised in equity in the Capitec Bank Holdings Limited separate financial statements was eliminated on consolidation to recognise a share option reserve to account for the transaction as equity-settled for the group. The transaction is recognised as equity-settled for the group as Capitec shares were issued to the employees of the group.

The transaction represents an in-substance option for the employees to acquire a variable number of shares in future, therefore a share option reserve was recognised on consolidation. The fair value of the equity instruments granted is measured using a Monte Carlo simulation, a share option pricing model which takes into account the market price on grant date, the cost of funding as well as an assumption on the actual number of shares that will be delivered. The fair value on the grant date of R515.809 million was previously recognised in the income statement as part of employee costs, with a corresponding increase in equity as a share option reserve. As there are no service or performance conditions attached to the scheme, the expense is recognised on the grant date.

The following assumptions were used to measure the fair value at the grant date:

Grant date	22 February 2022
Risk-free rate (%)	4.50
Growth rate (%)	4.50
Expected volatility (%)	30
Dividend forecast	Capitec Bank Holdings Limited 5-year dividend forecast
Dividend yield (%)	1.74
Prime lending rate (%)	7.5
Official rate of interest (%)	5
Capitec Bank Holdings Limited share price at the grant date (rand)	2 081
Loan value per share (rand)	1 041
Estimated future loan value/strike price (rand)	1 214
Total loan value (rand)	491 978 863

The growth rate and expected volatility were determined using the historical share prices of Capitec Bank Holdings Limited. The growth rate is deemed appropriate based on consumer price inflation and the expected volatility excludes the impact of extreme events.

The dividend forecast up to the 2027 financial year in conjunction with projected future share prices as at each dividend payment date was used to determine the dividend yield.

The official rate of interest is as defined in section 1(1) of the Income Tax Act.

Notes to the financial statements continued

Year ended 29 February 2024

43. Share incentive schemes continued

43.3 Co-investment plan share option scheme

Accounting policies

Capitec Bank Holdings Limited granted share options directly to the employees of Capitec Bank and Capitec Life as consideration for services rendered as part of a bonus arrangement and in an effort to retain the services of specific employees. The strike price of the share options reduces by 5% per annum over the vesting period.

The fair value of the share options granted is measured on the grant date using an appropriate valuation model, which takes into account the market price on grant date, the fact that employees will not be entitled to dividends until the shares vest, as well as an assumption regarding the actual percentage of shares that will be delivered. The fair value on the grant date will be recognised in the income statement on a straight-line basis over the vesting period of the equity instruments, adjusted to reflect actual levels of vesting, with a corresponding increase in equity.

The share options will vest in equal tranches of 25% at the end of each employment period as follows:

Tranche	Percentage	Vesting period
1	25	4 years
2	25	6 years
3	25	8 years
4	25	10 years

The share-based payment expense was calculated using a Monte Carlo option pricing model, which is reflective of the underlying characteristics of the co-investment plan share option scheme. The fair value on the grant date was recognised in the income statement with a corresponding increase in equity. There are no subsequent measurement considerations as this is an equity-settled shared-based payment transaction.

The following assumptions were used to measure the fair value at the grant date:

Grant date	18 April 2023
Risk-free rate (%)	7.87
Growth rate (%)	5.18
Expected volatility (%)	28.78
Dividend forecast	Capitec Bank Holdings Limited 5-year dividend forecast
Dividend yield (%)	2.69
Volume-weighted average price (VWAP)/strike price (rand)	1 681
Capitec Bank Holdings Limited share price at the grant date (rand)	1 670
Fair value of share options on grant date (rand)	1 007

	Date awarded	Exercise date	Grant price R	Number of share options
2024				
Share options awarded	**18 April 2023**	**18 April 2033**	**1 007**	**26 533**

Capitec Bank Holdings Limited directly granted share options

Grant date	20 April 2022
Risk-free rate (%)	5.77
Growth rate (%)	4.50
Expected volatility (%)	30
Dividend forecast	Capitec Bank Holdings Limited 5-year dividend forecast
Dividend yield (%)	1.61
VWAP/strike price (rand)	2 067
Capitec Bank Holdings Limited share price at the grant date (rand)	2 069
Fair value of share options on grant date (rand)	1 420

	Date awarded	Exercise date	Grant price R	Number of share options
2023				
Share options awarded	20 April 2022	20 April 2032	1 420	37 681

Grant date	8 April 2021
2022	
Risk-free rate (%)	4.50
Growth rate (%)	4.50
Expected volatility (%)	30
Dividend forecast	Capitec Bank Holdings Limited 5-year dividend forecast
Dividend yield (%)	1.74
VWAP/strike price (rand)	1 359
Capitec Bank Holdings Limited share price at the grant date (rand)	1 363
Fair value of share options on grant date (rand)	1 829

	Date awarded	Exercise date	Grant price R	Number of share options
2022				
Share options awarded	8 April 2021	8 April 2031	1 829	22 769

The growth rate and expected volatility were determined using the historical share prices of Capitec Bank Holdings Limited. The growth rate is deemed appropriate based on consumer price inflation and the expected volatility excludes the impact of extreme events.

The dividends were determined using the dividend forecast up to the 2034 financial year in conjunction with projected future share prices as at each dividend payment date.

43. Share incentive schemes continued

43.3 Co-investment plan share option scheme continued

Accounting policies continued

Capitec Bank Holdings Limited directly granted share options continued

The following table provides detail regarding the data used in the valuation of the share options to which IFRS 2 has been applied. The Longstaff and Schwartz valuation method was used to value the share options.

Year granted	Year maturing	Strike price R	Share price on issue date R	Volatility used in valuation %	Dividend yield %	Risk-free rate %	Closing balance of options outstanding	Fair value on issue date ignoring vesting conditions R'000	Expected vesting proportion[1] %	Portion of the term expired %	Value taking into account expected vesting proportion R'000
2024											
2021/2022	**2025/2026**	**1 106.93**	**1 362.68**	**30**	**1.74**	**4.50**	**4 692**	**8 582**	**100.0**	**72.3**	**6 209**
	2027/2028	**999.00**	**1 362.68**	**30**	**1.74**	**4.50**	**4 689**	**8 576**	**100.0**	**48.2**	**4 137**
	2029/2030	**901.60**	**1 362.68**	**30**	**1.74**	**4.50**	**4 689**	**8 576**	**100.0**	**36.2**	**3 102**
	2031/2032	**813.70**	**1 362.68**	**30**	**1.74**	**4.50**	**4 685**	**8 569**	**100.0**	**28.9**	**2 480**
2022/2023	**2026/2027**	**1 683.74**	**2 069.00**	**30**	**1.61**	**5.77**	**8 159**	**11 589**	**100.0**	**46.5**	**5 394**
	2028/2029	**1 519.57**	**2 069.00**	**30**	**1.61**	**5.77**	**8 157**	**11 586**	**100.0**	**31.0**	**3 594**
	2030/2031	**1 371.42**	**2 069.00**	**30**	**1.61**	**5.77**	**8 155**	**11 583**	**100.0**	**23.3**	**2 696**
	2032/2033	**1 237.70**	**2 069.00**	**30**	**1.61**	**5.77**	**8 151**	**11 577**	**100.0**	**18.6**	**2 155**
2023/2024	**2027/2028**	**1 369.14**	**1 670**	**29**	**2.69**	**7.87**	**6 639**	**6 684**	**100.0**	**21.5**	**1 435**
	2029/2030	**1 235.65**	**1 670**	**29**	**2.69**	**7.87**	**6 634**	**6 679**	**100.0**	**14.4**	**959**
	2031/2032	**1 115.18**	**1 670**	**29**	**2.69**	**7.87**	**6 632**	**6 677**	**100.0**	**10.8**	**719**
	2033/2034	**1 006.45**	**1 670**	**29**	**2.69**	**7.87**	**6 628**	**6 673**	**100.0**	**8.6**	**575**
Total							**77 910**	**107 351**	**100.0**	**0.3**	**33 455**
2023											
2021/2022	2025/2026	1 106.93	1 362.68	30	1.74	4.50	4 689	8 576	100.0	50.0	4 288
	2027/2028	999.00	1 362.68	30	1.74	4.50	4 689	8 576	100.0	33.0	2 859
	2029/2030	901.60	1 362.68	30	1.74	4.50	4 689	8 576	100.0	25.0	2 144
	2031/2032	813.70	1 362.68	30	1.74	4.50	4 688	8 576	100.0	20.0	1 715
2022/2023	2026/2027	1 683.74	2 069.00	30	1.61	5.77	8 155	11 581	100.0	25.0	2 895
	2028/2029	1 519.57	2 069.00	30	1.61	5.77	8 155	11 581	100.0	17.0	1 930
	2030/2031	1 371.42	2 069.00	30	1.61	5.77	8 155	11 581	100.0	13.0	1 448
	2032/2033	1 237.70	2 069.00	30	1.61	5.77	8 157	11 581	100.0	10.0	1 158
Total							51 377	80 628	100.0	22.9	18 437

[1] *Executive employee turnover of 0% per annum (2023: 0%) was used to estimate the likelihood of vesting conditions realising. This is re-estimated in terms of IFRS Accounting Standards on an annual basis.*

43.4 Restricted share plan

Accounting policies

Senior and other employees who are seen to be in leadership roles critical to the current and future success of the group's business are awarded the opportunity to participate in Capitec Bank's RSP during October of each financial year. The members' bonuses, as calculated in terms of the RSP, are split into 3 tranches, the first of which is paid in cash on the bonus payment date for the relevant financial year. Participants are given the opportunity to choose whether the remaining two-thirds of their bonus should be settled in cash or Capitec Bank Holdings Limited ordinary shares.

The third of the bonus that is settled in cash is accounted for as a short-term employee benefit in terms of IAS 19 *Employee Benefits*. The two-thirds of the bonus for which participants have the right to choose whether the bonus should be settled in cash or equity instruments is accounted for in terms of IFRS 2 *Share-based Payment*.

In terms of the principles of IFRS 2, the group has granted the participants the right to choose whether the share-based payment transaction should be settled in cash or by receipt of equity instruments, therefore, the group has granted a compound financial instrument, which includes a debt component (the right to payment in cash) and an equity component (the right to settlement in equity instruments rather than in cash). The fair value of the compound financial instrument is the sum of the fair values of the 2 components.

The fair value of the debt component of the RSP is remeasured at the reporting date to reflect the fair value of the consideration that will be transferred upon settlement of the liability.

The fair value of the equity component of the RSP is measured at grant date using an appropriate valuation model, which takes into account the market price on grant date, the fact that employees will not be entitled to dividends until the shares vest, as well as an assumption of the actual percentage of shares that will be delivered.

The fair value at the reporting date in relation to both the debt and equity component is recognised in the income statement on a straight-line basis over the vesting period, adjusted to reflect actual levels of vesting, with a corresponding increase/(decrease) in liabilities and equity, respectively.

Both components will vest in equal tranches at the end of each reporting period.

The following table provides detail regarding the results of the valuation of the RSP to which IFRS 2 has been applied.

Debt component[1]

Year granted	Year maturing	Fair value on issue date ignoring vesting conditions R'000	Expected vesting proportion %	Portion of the term expired %	Value taking into account expected vesting proportion R'000
2024					
2021/2022	**2024/2025**	**30 963**	**93.9**	**93.8**	**27 262**
2022/2023	**2024/2025**	**15 713**	**93.9**	**89.6**	**13 223**
	2025/2026	**15 713**	**93.9**	**53.8**	**7 942**
2023/2024	**2025/2026**	**21 218**	**93.9**	**23.1**	**4 609**
	2026/2027	**21 218**	**93.9**	**13.9**	**2 768**
Total		**104 825**	**93.9**	**53.2**	**55 804**
2023					
2020/2021	2023/2024	6 817	100.0	94.0	6 399
2021/2022	2023/2024	41 271	100.0	90.0	37 053
	2024/2025	41 271	100.0	54.0	22 216
2022/2023	2024/2025	14 025	100.0	23.0	3 244
	2025/2026	14 025	100.0	14.0	1 949
Total		117 409	100.0	60.0	70 861

[1] *The RSP has been disaggregated into its debt and equity components to provide the user with additional information regarding the vesting and valuation of each component of the RSP. Comparatives have been included for consistency.*

Employee turnover of 6.1% per annum (2023: 0%) was used to estimate the likelihood of vesting conditions realising. This is re-estimated in terms of IFRS Accounting Standards on an annual basis.

43. Share incentive schemes continued

43.4 Restricted share plan continued

Accounting policies continued

Equity component[1]

Year granted	Year maturing	Fair value on issue date ignoring vesting conditions R'000	Expected vesting proportion %	Portion of the term expired %	Value taking into account expected vesting proportion R'000
2024					
2021/2022	**2024/2025**	**53 275**	**93.9**	**93.8**	**46 905**
2022/2023	**2024/2025**	**17 346**	**93.9**	**89.6**	**14 597**
	2025/2026	**17 346**	**93.9**	**53.8**	**8 768**
2023/2024	**2025/2026**	**18 325**	**93.9**	**23.1**	**3 980**
	2026/2027	**18 325**	**93.9**	**13.9**	**2 391**
Total		**124 617**	**93.9**	**61.5**	**76 641**
2023					
2020/2021	2023/2024	9 514	100.0	94.0	8 930
2021/2022	2023/2024	57 959	100.0	90.0	52 036
	2024/2025	57 959	100.0	54.0	31 199
2022/2023	2024/2025	17 850	100.0	23.0	4 129
	2025/2026	17 850	100.0	14.0	2 480
Total		161 132	100.0	61.0	98 774

[1] *The RSP has been disaggregated into its debt and equity components to provide the user with additional information regarding the vesting and valuation of each component of the share plan. Comparatives have been included for consistency.*

Employee turnover of 6.1% per annum (2023: 0%) was used to estimate the likelihood of vesting conditions realising. This is re-estimated in terms of IFRS Accounting Standards on an annual basis.

44. Share option expense

Data utilised in the valuation of share 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. The Black-Scholes option pricing model was used to value the share options.

Year granted	Strike price R	Share price on issue date R	Volatility used in valuation %	Dividend yield %	Year maturing	Risk-free rate %	Number of share options outstanding	Fair value on issue date ignoring vesting conditions R'000	Expected vesting proportion %	Value taking into account expected vesting proportion R'000
2024										
2018/2019	881.76	862.83	31.9	1.7	2024/2025	7.1	22 547	7 132	99.6	7 102
2019/2020	1 175.01	1 349.99	24.6	1.4	2024/2025	7.5	17 624	8 952	99.6	8 913
	1 175.01	1 349.99	24.6	1.4	2025/2026	7.6	17 620	9 698	94.4	9 159
	1 374.59	1 379.00	19.6	1.2	2024/2025	7.4	2 207	904	96.5	872
	1 374.59	1 379.00	19.6	1.2	2025/2026	7.6	2 207	1 022	91.5	935
2020/2021	973.05	1 024.70	38.8	1.5	2024/2025	6.4	26 820	10 036	99.4	9 978
	973.05	1 024.70	38.8	1.5	2025/2026	7.1	26 819	11 292	94.3	10 649
	973.05	1 024.70	38.8	1.5	2026/2027	7.8	26 814	12 461	89.5	11 147
	884.83	881.77	41.8	1.8	2024/2025	4.8	678	202	97.3	196
	884.83	881.77	41.8	1.8	2025/2026	5.4	678	227	92.3	209
	884.83	881.77	41.8	1.8	2026/2027	6.0	677	249	87.5	218
	1 006.83	1 132.50	42.1	1.4	2024/2025	4.6	4 566	2 004	96.7	1 937
	1 006.83	1 132.50	42.1	1.4	2025/2026	5.2	4 566	2 216	91.7	2 032
	1 006.83	1 132.50	42.1	1.4	2026/2027	5.8	4 565	2 412	87.0	2 097
	911.63	987.25	41.8	1.6	2023/2024	4.3	4 676	1 499	100.0	1 499
	911.63	987.25	41.8	1.6	2024/2025	4.8	15 467	5 654	97.0	5 483
	911.63	987.25	41.8	1.6	2025/2026	5.4	15 450	6 272	92.0	5 769
	911.63	987.25	41.8	1.6	2026/2027	6.0	15 433	6 828	87.2	5 957
	1 383.62	1 430.26	42.3	1.0	2023/2024	4.4	357	165	100.0	165
	1 383.62	1 430.26	42.3	1.0	2024/2025	4.9	357	191	95.5	183
	1 383.62	1 430.26	42.3	1.0	2025/2026	5.4	356	214	90.6	194
	1 383.62	1 430.26	42.3	1.0	2026/2027	5.9	356	235	85.9	202
2021/2022	1 375.55	1 351.15	41.8	1.1	2024/2025	5.0	1 386	573	100.0	573
	1 375.55	1 351.15	41.8	1.1	2025/2026	5.5	1 385	673	94.8	638
	1 375.55	1 351.15	41.8	1.1	2026/2027	6.1	1 385	763	89.9	686
	1 375.55	1 351.15	41.8	1.1	2027/2028	6.6	1 385	843	85.3	720
	1 392.19	1 405.00	42.2	1.1	2024/2025	4.3	22 762	9 953	99.4	9 890
	1 392.19	1 405.00	42.2	1.1	2025/2026	4.7	22 758	11 540	94.3	10 876
	1 392.19	1 405.00	42.2	1.1	2026/2027	5.2	22 754	12 954	89.4	11 581
	1 392.19	1 405.00	42.2	1.1	2027/2028	5.6	22 750	14 240	84.8	12 076
	1 663.60	1 879.85	41.5	2.1	2024/2025	5.1	552	350	97.3	341
	1 663.60	1 879.85	41.5	2.1	2025/2026	5.6	552	393	92.3	363
	1 663.60	1 879.85	41.5	2.1	2026/2027	6.0	551	428	87.6	375
	1 663.60	1 879.85	41.5	2.1	2027/2028	6.4	551	459	83.1	382
	1 616.73	1 790.00	41.5	2.6	2024/2025	5.6	404	234	96.9	227
	1 616.73	1 790.00	41.5	2.6	2025/2026	6.0	404	262	91.9	241
	1 616.73	1 790.00	41.5	2.6	2026/2027	6.5	403	285	87.2	248
	1 616.73	1 790.00	41.5	2.6	2027/2028	6.9	403	305	82.7	252
2022/2023	2 067.19	2 096.24	41.4	1.7	2025/2026	6.3	645	428	94.8	406
	2 067.19	2 096.24	41.4	1.7	2026/2027	6.6	645	493	89.9	443
	2 067.19	2 096.24	41.4	1.7	2027/2028	7.0	645	548	85.3	468
	2 067.19	2 096.24	41.4	1.7	2028/2029	7.3	645	596	80.9	482
	2 067.19	2 090.49	41.6	1.5	2025/2026	6.4	21 373	14 730	94.1	13 861
	2 067.19	2 090.49	41.6	1.5	2026/2027	6.7	21 368	16 876	89.3	15 063
	2 067.19	2 090.49	41.6	1.5	2027/2028	7.0	21 363	18 722	84.7	15 851
	2 067.19	2 090.49	41.6	1.5	2028/2029	7.3	21 358	20 338	80.3	16 331
	2 106.13	1 970.00	41.7	3.0	2025/2026	7.9	1 261	697	93.2	649
	2 106.13	1 970.00	41.7	3.0	2026/2027	8.2	1 258	805	88.4	711
	2 106.13	1 970.00	41.7	3.0	2027/2028	8.5	1 258	893	83.8	749
	2 106.13	1 970.00	41.7	3.0	2028/2029	8.8	1 257	966	79.5	768

44. Share option expense continued

Data utilised in the valuation of share options granted continued

Year granted	Strike price R	Share price on issue date R	Volatility used in valuation %	Dividend yield %	Year maturing	Risk-free rate %	Number of share options outstanding	Fair value on issue date ignoring vesting conditions R'000	Expected vesting proportion %	Value taking into account expected vesting proportion R'000
2024										
2023/2024	**1 828.19**	**1 794.92**	**42.7**	**1.5**	**2026/2027**	**7.4**	**34 130**	**20 908**	**89.3**	**18 667**
	1 828.19	**1 794.92**	**42.7**	**1.5**	**2027/2028**	**7.6**	**34 130**	**23 874**	**84.7**	**20 219**
	1 828.19	**1 794.92**	**42.7**	**1.5**	**2028/2029**	**7.9**	**34 130**	**26 452**	**80.3**	**21 246**
	1 828.19	**1 794.92**	**42.7**	**1.5**	**2029/2030**	**8.2**	**34 130**	**28 718**	**76.2**	**21 880**
	1 698.52	**1 592.22**	**41.9**	**2.7**	**2026/2027**	**8.8**	**1 336**	**630**	**87.5**	**552**
	1 698.52	**1 592.22**	**41.9**	**2.7**	**2027/2028**	**9.0**	**1 336**	**730**	**83.0**	**606**
	1 698.52	**1 592.22**	**41.9**	**2.7**	**2028/2029**	**9.3**	**1 335**	**813**	**78.7**	**640**
	1 698.52	**1 592.22**	**41.9**	**2.7**	**2029/2030**	**9.6**	**1 335**	**883**	**74.7**	**659**
	1 445.18	**1 521.49**	**41.5**	**3.2**	**2026/2027**	**8.8**	**321**	**159**	**88.5**	**141**
	1 445.18	**1 521.49**	**41.5**	**3.2**	**2027/2028**	**9.0**	**321**	**178**	**84.0**	**150**
	1 445.18	**1 521.49**	**41.5**	**3.2**	**2028/2029**	**9.2**	**321**	**194**	**79.6**	**154**
	1 445.18	**1 521.49**	**41.5**	**3.2**	**2029/2030**	**9.5**	**321**	**207**	**75.5**	**156**
Total							**547 447**	**323 958**	**89.5**	**285 217**
2023										
2017/2018	705.93	761.37	24.2	1.1	2023/2024	7.5	21 758	6 531	99.8	6 520
2018/2019	881.76	862.83	31.9	1.7	2023/2024	7.0	22 641	6 525	99.8	6 513
	881.76	862.83	31.9	1.7	2024/2025	7.1	22 639	7 161	97.6	6 992
2019/2020	1 175.01	1 349.99	24.6	1.4	2023/2024	7.4	17 728	8 170	99.8	8 155
	1 175.01	1 349.99	24.6	1.4	2024/2025	7.5	17 727	9 004	97.6	8 790
	1 175.01	1 349.99	24.6	1.4	2025/2026	7.6	17 723	9 754	95.5	9 314
	1 374.59	1 379.00	19.6	1.1	2023/2024	7.2	2 207	776	98.5	765
	1 374.59	1 379.00	19.6	1.1	2024/2025	7.4	2 207	904	96.3	871
	1 374.59	1 379.00	19.6	1.1	2025/2026	7.6	2 207	1 022	94.2	963
2020/2021	973.05	1 024.70	38.8	1.5	2023/2024	5.8	27 628	8 918	99.8	8 897
	973.05	1 024.70	38.8	1.5	2024/2025	6.4	27 624	10 337	97.6	10 085
	973.05	1 024.70	38.8	1.5	2025/2026	7.1	27 622	11 630	95.4	11 098
	973.05	1 024.70	38.8	1.5	2026/2027	7.8	27 616	12 834	93.3	11 978
	884.83	881.77	41.8	1.8	2023/2024	4.3	678	174	98.8	172
	884.83	881.77	41.8	1.8	2024/2025	4.8	678	202	96.7	195
	884.83	881.77	41.8	1.8	2025/2026	5.4	678	227	94.5	214
	884.83	881.77	41.8	1.8	2026/2027	6.0	677	249	92.5	230
	1 006.83	1 132.50	42.1	1.4	2023/2024	4.1	4 566	1 770	98.6	1 745
	1 006.83	1 132.50	42.1	1.4	2024/2025	4.6	4 566	2 005	96.4	1 933
	1 006.83	1 132.50	42.1	1.4	2025/2026	5.2	4 566	2 216	94.3	2 089
	1 006.83	1 132.50	42.1	1.4	2026/2027	5.8	4 565	2 412	92.2	2 224
	911.63	987.25	41.8	1.6	2023/2024	4.3	17 132	5 494	98.7	5 423
	911.63	987.25	41.8	1.6	2024/2025	4.8	17 117	6 258	96.5	6 041
	911.63	987.25	41.8	1.6	2025/2026	5.4	17 099	6 941	94.4	6 554
	911.63	987.25	41.8	1.6	2026/2027	6.0	17 080	7 557	92.3	6 979
	1 383.62	1 430.26	42.3	1.0	2023/2024	4.4	357	165	98.1	162
	1 383.62	1 430.26	42.3	1.0	2024/2025	4.9	357	191	95.9	183
	1 383.62	1 430.26	42.3	1.0	2025/2026	5.4	356	214	93.8	201
	1 383.62	1 430.26	42.3	1.0	2026/2027	5.9	356	235	91.8	215
2021/2022	1 375.55	1 351.15	41.8	1.1	2024/2025	5.0	1 386	573	97.8	560
	1 375.55	1 351.15	41.8	1.1	2025/2026	5.5	1 385	673	95.6	644
	1 375.55	1 351.15	41.8	1.1	2026/2027	6.1	1 385	763	93.5	713
	1 375.55	1 351.15	41.8	1.1	2027/2028	6.6	1 385	843	91.5	772
	1 392.19	1 405.00	42.2	1.1	2024/2025	4.3	23 341	10 206	97.5	9 955

Year granted	Strike price R	Share price on issue date R	Volatility used in valuation %	Dividend yield %	Year maturing	Risk-free rate %	Number of share options outstanding	Fair value on issue date ignoring vesting conditions R'000	Expected vesting proportion %	Value taking into account expected vesting proportion R'000
2023										
2021/2022	1 392.19	1 405.00	42.2	1.1	2025/2026	4.7	23 337	11 833	95.4	11 289
	1 392.19	1 405.00	42.2	1.1	2026/2027	5.2	23 333	13 284	93.3	12 394
	1 392.19	1 405.00	42.2	1.1	2027/2028	5.6	23 329	14 602	91.3	13 325
	1 663.60	1 879.85	41.5	2.1	2024/2025	5.1	552	350	96.7	339
	1 663.60	1 879.85	41.5	2.1	2025/2026	5.6	552	393	94.6	371
	1 663.60	1 879.85	41.5	2.1	2026/2027	6.0	551	428	92.5	396
	1 663.60	1 879.85	41.5	2.1	2027/2028	6.4	551	459	90.5	416
	1 616.73	1 790.00	41.5	2.6	2024/2025	5.6	404	234	96.5	226
	1 616.73	1 790.00	41.5	2.6	2025/2026	6.0	404	262	94.4	247
	1 616.73	1 790.00	41.5	2.6	2026/2027	6.5	403	285	92.3	263
	1 616.73	1 790.00	41.5	2.6	2027/2028	6.9	403	305	90.3	275
2022/2023	2 067.19	2 096.24	41.4	1.7	2025/2026	6.3	645	429	95.6	410
	2 067.19	2 096.24	41.4	1.7	2026/2027	6.6	645	493	93.5	461
	2 067.19	2 096.24	41.4	1.7	2027/2028	7.0	645	548	91.5	502
	2 067.19	2 096.24	41.4	1.7	2028/2029	7.3	645	596	89.5	534
	2 067.19	2 090.49	41.6	1.5	2025/2026	6.4	21 457	14 807	95.3	14 116
	2 067.19	2 090.49	41.6	1.5	2026/2027	6.7	21 452	16 959	93.2	15 812
	2 067.19	2 090.49	41.6	1.5	2027/2028	7.0	21 447	18 809	91.2	17 153
	2 067.19	2 090.49	41.6	1.5	2028/2029	7.3	21 442	20 429	89.2	18 220
	2 106.13	1 970.00	41.7	3.0	2025/2026	7.9	1 261	697	94.9	662
	2 106.13	1 970.00	41.7	3.0	2026/2027	8.2	1 258	805	92.8	747
	2 106.13	1 970.00	41.7	3.0	2027/2028	8.5	1 258	893	90.8	811
	2 106.13	1 970.00	41.7	3.0	2028/2029	8.8	1 257	966	88.8	858
Total							524 268	261 800	95.0	247 972

Assumptions

Executive employee turnover

Executive employee turnover of 5.1% per annum (2023: 2.6%) was used to estimate the likelihood of vesting conditions realising. This is re-estimated in terms of IFRS 2 on an annual basis.

Maturity

The human resources and remuneration committee (REMCO) approved changes to the performance conditions relating to share options granted in 2019/2020. These performance conditions are that the 3-year average headline earnings per share (HEPS) growth must exceed the 3-year average of CPI plus the percentage growth in GDP plus 4%, and the attained ROE must outperform the 3-year average ROE of the 4 traditional banks in South Africa. Each performance condition carries a weighting of 50% and is measured over a cumulative 3-year performance period. The ROE performance consists of 2 tiers.

- Tier 1 (50% vesting): ROE outperforms 3-year average ROE of the 4 traditional banks by 0%
- Tier 2 (full vesting): ROE outperforms 3-year average ROE of the 4 traditional banks by 2%.

The assumption that both of the above performance conditions would be met was used to estimate the realisation of these vesting conditions. The 2021 financial year was not considered when determining whether the performance measures were met as the results for the year were impacted by the COVID-19 pandemic.

45. Share appreciation rights

Data utilised in the valuation of SARs granted

The table below provides detail regarding the data used in the valuation of the SARs to which IFRS 2 has been applied. SARs are expected to vest and are re-estimated on an annual basis.

Year granted	Strike price[1] R	Year maturing	Risk-free rate %	Number of SARs outstanding	Fair value R'000	Portion of term expired %	Expected vesting proportion %	Liability at year-end R'000
2024								
2018/2019	881.76	2024/2025	8.4	22 547	25 544	98.7	99.6	25 218
2019/2020	1 175.01	2024/2025	8.4	17 624	14 851	98.4	99.6	14 615
	1 175.01	2025/2026	8.5	17 620	15 156	82.0	94.5	12 431
	1 374.59	2024/2025	8.6	2 207	1 517	86.5	96.5	1 313
	1 374.59	2025/2026	8.3	2 207	1 649	72.1	91.5	1 189
2020/2021	973.05	2024/2025	8.4	26 820	27 939	97.3	99.4	27 193
	973.05	2025/2026	8.5	26 819	27 336	77.9	94.3	21 288
	973.05	2026/2027	8.3	26 814	26 799	64.9	89.5	17 393
	911.63	2023/2024	8.4	3 692	4 084	100.0	100.0	4 084
	911.63	2024/2025	8.6	15 467	16 798	85.5	97.0	14 361
	911.63	2025/2026	8.3	15 450	16 309	68.4	92.0	11 155
	911.63	2026/2027	8.3	15 433	15 832	57.0	87.3	9 025
	884.83	2024/2025	8.6	678	755	86.9	97.3	656
	884.83	2025/2026	8.3	678	731	69.6	92.3	508
	884.83	2026/2027	8.3	677	707	58.0	87.5	410
	1 006.83	2024/2025	8.6	4 566	4 558	84.0	96.7	3 828
	1 006.83	2025/2026	8.3	4 566	4 498	67.2	91.7	3 022
	1 006.83	2026/2027	8.3	4 565	4 420	56.0	87.0	2 475
	1 392.19	2024/2025	8.4	22 762	14 320	96.3	99.4	13 788
	1 392.19	2025/2026	8.5	22 758	16 083	73.2	94.3	11 769
	1 392.19	2026/2027	8.3	22 754	17 148	59.0	89.4	10 120
	1 392.19	2027/2028	8.3	22 750	17 666	49.4	84.8	8 735
	439.64	2023/2024	8.4	357	563	100.0	100.0	563
	439.64	2024/2025	8.6	357	533	78.3	95.5	418
	439.64	2025/2026	8.3	356	499	62.7	90.6	312
	439.64	2026/2027	8.3	356	467	52.2	85.9	244
2021/2022	367.71	2024/2025	8.4	1 386	2 287	99.9	100.0	2 284
	367.71	2025/2026	8.5	1 385	2 138	74.9	94.8	1 603
	367.71	2026/2027	8.3	1 385	1 998	60.0	90.0	1 198
	367.71	2027/2028	8.3	1 385	1 868	50.0	85.3	934
	1 663.60	2024/2025	8.6	552	251	83.1	97.4	208
	1 663.60	2025/2026	8.3	552	320	62.4	92.4	199
	1 663.60	2026/2027	8.3	551	355	49.9	87.6	177
	1 663.60	2027/2028	8.4	551	376	41.6	83.1	156
	1 616.73	2024/2025	8.6	404	202	80.4	96.9	162
	1 616.73	2025/2026	8.3	404	246	60.3	92.0	149
	1 616.73	2026/2027	8.3	403	269	48.2	87.2	130
	1 616.73	2027/2028	8.4	403	282	40.2	82.7	113
	2 067.19	2025/2026	8.5	21 373	7 663	63.8	94.1	4 886
	2 067.19	2026/2027	8.3	21 368	10 091	48.5	89.3	4 890
	2 067.19	2027/2028	8.3	21 363	11 571	39.1	84.7	4 522
	2 067.19	2028/2029	8.5	21 358	12 505	32.7	80.3	4 092
2022/2023	2 067.19	2025/2026	8.5	645	216	66.6	94.8	144
	2 067.19	2026/2027	8.3	645	296	50.0	90.0	148
	2 067.19	2027/2028	8.3	645	344	40.0	85.3	138
	2 067.19	2028/2029	8.5	645	375	33.3	80.9	125
	2 106.13	2025/2026	8.4	1 261	468	55.5	93.2	260
	2 106.13	2026/2027	8.3	1 258	598	41.6	88.4	249

[1] *As from the 2016 financial year: SARs are granted at a strike price equal to the 30-day weighted average share price up to and including the day before the resolution granting the respective SARs was passed. There is a fixed ratio between the number of SARs and share options granted.*

Year granted	Strike price[1] R	Year maturing	Risk-free rate %	Number of SARs outstanding	Fair value R'000	Portion of term expired %	Expected vesting proportion %	Liability at year-end R'000
2024								
2022/2023	2 106.13	2027/2028	8.3	1 258	681	33.3	83.8	227
	2 106.13	2028/2029	8.5	1 257	733	27.7	79.5	203
2023/2024	1 828.19	2026/2027	8.3	34 130	19 028	32.3	89.3	6 145
	1 828.19	2027/2028	8.3	34 130	20 965	24.5	84.7	5 145
	1 828.19	2028/2029	8.5	34 130	22 106	19.8	80.3	4 372
	1 828.19	2029/2030	8.7	34 130	22 736	16.6	76.2	3 768
	1 698.52	2026/2027	8.3	1 335	843	16.1	87.5	135
	1 698.52	2027/2028	8.4	1 335	896	12.0	83.0	108
	1 698.52	2028/2029	8.6	1 336	924	9.6	78.7	89
	1 698.52	2029/2030	8.9	1 336	937	8.0	74.7	75
	1 445.18	2026/2027	8.3	321	235	23.3	88.5	55
	1 445.18	2027/2028	8.3	321	243	17.5	84.0	42
	1 445.18	2028/2029	8.5	321	246	14.0	79.7	34
	1 445.18	2029/2030	8.8	321	246	11.6	75.6	29
Total				**546 463**	**422 300**	**62.4**	**89.5**	**263 307**
2023								
2017/2018	705.93	2023/2024	7.3	21 758	22 804	98.7	99.8	22 502
2018/2019	881.76	2023/2024	7.3	22 641	19 778	98.5	99.8	19 475
	881.76	2024/2025	8.1	22 639	20 278	82.0	97.2	16 633
2019/2020	1 175.01	2023/2024	7.3	17 728	10 328	98.0	99.8	10 123
	1 175.01	2024/2025	8.1	17 727	11 805	78.4	97.2	9 252
	1 175.01	2025/2026	8.1	17 723	13 020	65.3	94.7	8 506
	1 374.59	2023/2024	7.9	2 207	1 056	83.2	98.3	878
	1 374.59	2024/2025	8.1	2 207	1 309	66.5	95.7	870
	1 374.59	2025/2026	8.1	2 207	1 474	55.4	93.2	817
2020/2021	973.05	2023/2024	7.3	27 628	21 647	96.4	99.7	20 876
	973.05	2024/2025	8.1	27 624	22 702	72.3	97.1	16 409
	973.05	2025/2026	8.1	27 622	23 767	57.8	94.6	13 745
	973.05	2026/2027	8.2	27 616	24 534	48.2	92.2	11 825
	911.63	2023/2024	7.9	17 132	14 641	80.6	98.5	11 806
	911.63	2024/2025	8.1	17 117	15 181	60.4	95.9	9 175
	911.63	2025/2026	8.1	17 099	15 600	48.4	93.5	7 544
	911.63	2026/2027	8.3	17 080	15 887	40.3	91.1	6 403
	884.83	2023/2024	7.9	678	595	82.6	98.6	492
	884.83	2024/2025	8.1	678	614	61.9	96.1	380
	884.83	2025/2026	8.1	678	629	49.5	93.6	312
	884.83	2026/2027	8.3	677	639	41.3	91.2	264
	1 006.83	2023/2024	7.9	4 566	3 518	78.6	98.3	2 766
	1 006.83	2024/2025	8.1	4 566	3 745	58.9	95.8	2 207
	1 006.83	2025/2026	8.1	4 566	3 912	47.2	93.3	1 844
	1 006.83	2026/2027	8.3	4 565	4 029	39.3	90.9	1 583
	1 392.19	2024/2025	8.1	23 341	12 272	64.6	97.1	7 930
	1 392.19	2025/2026	8.1	23 337	14 485	49.1	94.6	7 114
	1 392.19	2026/2027	8.2	23 333	16 013	39.6	92.2	6 343
	1 392.19	2027/2028	8.4	23 329	17 127	33.2	89.8	5 684
	439.64	2023/2024	8.0	357	460	71.1	97.8	327
	439.64	2024/2025	8.1	357	450	53.3	95.2	239
	439.64	2025/2026	8.2	356	438	42.6	92.8	187
	439.64	2026/2027	8.3	356	428	35.5	90.4	152
2021/2022	367.71	2024/2025	8.1	1 386	1 871	66.5	97.4	1 245
	367.71	2025/2026	8.1	1 385	1 819	49.9	94.9	908
	367.71	2026/2027	8.2	1 385	1 769	39.9	92.5	706
	367.71	2027/2028	8.4	1 385	1 721	33.3	90.1	572
	1 663.60	2024/2025	8.1	552	239	49.7	96.1	119
	1 663.60	2025/2026	8.1	552	295	37.3	93.7	110
	1 663.60	2026/2027	8.3	551	335	29.8	91.2	100

[1] *As from the 2016 financial year: SARs are granted at a strike price equal to the 30-day weighted average share price up to and including the day before the resolution granting the respective SARs was passed. There is a fixed ratio between the number of SARs and share options granted.*

Notes to the financial statements continued

Year ended 29 February 2024

45. Share appreciation rights continued

Data utilised in the valuation of SARs granted continued

Year granted	Strike price[1] R	Year maturing	Risk-free rate %	Number of SARs outstanding	Fair value R'000	Portion of term expired %	Expected vesting proportion %	Liability at year-end R'000
2023								
2021/2022	1 663.60	2027/2028	8.5	551	365	24.9	88.9	91
	1 616.73	2024/2025	8.1	404	187	47.0	95.9	88
	1 616.73	2025/2026	8.1	404	226	35.2	93.5	80
	1 616.73	2026/2027	8.3	403	253	28.2	91.0	71
	1 616.73	2027/2028	8.5	403	274	23.5	88.7	64
	2 067.19	2025/2026	8.1	21 457	7 819	32.1	94.5	2 509
	2 067.19	2026/2027	8.2	21 452	9 857	24.4	92.1	2 404
	2 067.19	2027/2028	8.4	21 447	11 428	19.7	89.7	2 248
	2 067.19	2028/2029	8.6	21 442	12 698	16.5	87.4	2 092
2022/2023	2 067.19	2025/2026	8.1	645	225	33.2	94.9	75
	2 067.19	2026/2027	8.2	645	289	24.9	92.5	72
	2 067.19	2027/2028	8.4	645	338	19.9	90.1	67
	2 067.19	2028/2029	8.6	645	378	16.6	87.7	63
	2 106.13	2025/2026	8.1	1 261	471	22.1	94.1	104
	2 106.13	2026/2027	8.2	1 258	585	16.6	91.6	108
	2 106.13	2027/2028	8.4	1 258	674	13.3	89.3	89
	2 106.13	2028/2029	8.7	1 257	747	11.0	87.0	82
Total				524 268	390 028	61.2	93.9	238 730

[1] As from the 2016 financial year: SARs are granted at a strike price equal to the 30-day weighted average share price up to and including the day before the resolution granting the respective SARs was passed. There is a fixed ratio between the number of SARs and share options granted.

Assumptions

Rights valuation

All rights were valued using the Black-Scholes model and the following variables (with expected price volatility based on annualised volatility):

	2024	2023
Dividend yield (%)	**2.51**	1.62
Volatility (%)[1]	**41.93**	41.55
Ex-dividend share price	**1 971.34**	1 754.51

[1] The expected price volatility is based on an unadjusted 5-year annualised volatility.

Executive employee turnover assumptions

Executive employee turnover of 5.1% per annum (2023: 2.6%) was used to estimate the likelihood of vesting conditions realising. This is re-estimated in terms of IFRS 2 on an annual basis.

Maturity

The REMCO approved changes to the performance conditions relating to share options granted in 2019/2020. These performance conditions are that the 3-year average HEPS growth must exceed the 3-year average of CPI plus the percentage growth in GDP plus 4%, and the attained ROE must outperform the 3-year average ROE of the 4 traditional banks in South Africa. Each performance condition carries a weighting of 50% and is measured over a cumulative 3-year performance period. The ROE performance consists of 2 tiers.

- Tier 1 (50% vesting): ROE outperforms 3-year average ROE of the 4 traditional banks by 0%
- Tier 2 (full vesting): ROE outperforms 3-year average ROE of the 4 traditional banks by 2%.

The assumption that both of the above performance conditions would be met was used to estimate the realisation of these vesting conditions. The 2021 financial year was not considered when determining whether the performance measures were met as the results for the year were impacted by the COVID-19 pandemic.

46. Derivative financial instruments

R'000	Fair values Assets	Fair values Liabilities
2024		
Interest rate swaps	**1 097**	**—**
Forward foreign exchange contracts	**14 110**	**15 221**
Forward currency swap contracts	**18 397**	**5 381**
Derivative financial instruments	**33 604**	**20 602**
2023		
Interest rate swaps	2 087	—
Forward foreign exchange contracts	12 522	23 435
Forward currency swap contracts	18 946	248
Derivative financial instruments	33 555	23 683

Interest rate swaps designated as cash flow hedges

R'000	Notional	Fair values Assets	Fair values Liabilities
2024			
Interest rate swaps	**500 000**	**1 097**	**—**
Total interest rate swaps	**500 000**	**1 097**	**—**
2023			
Interest rate swaps	500 000	2 087	—
Total interest rate swaps	500 000	2 087	—

R'000	Demand to 1 month	1 to 3 months	3 months to 1 year	More than 1 year	Total
2024					
Discounted swap cash flows	**—**	**1 097**	**—**	**—**	**1 097**
Total interest rate swaps	**—**	**1 097**	**—**	**—**	**1 097**
2023					
Discounted swap cash flows	—	(83)	1 576	594	2 087
Total interest rate swaps	—	(83)	1 576	594	2 087

Notes to the financial statements continued

Year ended 29 February 2024

46. Derivative financial instruments continued

Forward foreign exchange contracts and forward currency swap contracts – designated as economic hedges

R'000	Notional Foreign	Notional R	Fair values Assets	Fair values Liabilities
2024				
Forward foreign exchange contracts – US dollar	**40 210**	**769 004**	**2 319**	**10 248**
Forward foreign exchange contracts – euro	**29 772**	**619 381**	**11 595**	**3 824**
Forward foreign exchange contracts – pound sterling	**1 778**	**41 664**	**126**	**860**
Forward foreign exchange contracts – other	**8 319**	**27 221**	**70**	**289**
Total forward foreign exchange contracts		**1 457 270**	**14 110**	**15 221**
Forward currency swap contracts – US dollar	**38 450**	**731 225**	**14 063**	**28**
Forward currency swap contracts – euro	**59 724**	**1 022 845**	**4 334**	**5 353**
Total forward currency swap contracts		**1 754 070**	**18 397**	**5 381**
Derivative financial instruments		**3 211 340**	**32 507**	**20 602**
2023				
Forward foreign exchange contracts – US dollar	28 551	505 432	8 549	12 262
Forward foreign exchange contracts – euro	12 570	236 557	1 893	9 044
Forward foreign exchange contracts – pound sterling	2 975	63 291	1 678	1 470
Forward foreign exchange contracts – other	24 240	28 162	402	659
Total forward foreign exchange contracts		833 442	12 522	23 435
Forward currency swap contracts – US dollar	11 850	208 654	8 530	248
Forward currency swap contracts – euro	9 800	183 548	9 484	—
Forward currency swap contracts – pound sterling	500	10 198	932	—
Total forward currency swap contracts		402 400	18 946	248
Derivative financial instruments		1 235 842	31 468	23 683

R'000	2024	2023
Derivative asset		
Current portion	**30 551**	30 205
Non-current portion	**3 068**	1 263
Total foreign currency exchange contracts and swap contracts	**33 619**	31 468
Derivative liability		
Current portion	**18 460**	23 665
Non-current portion	**2 142**	18
Total foreign currency exchange contracts and swap contracts	**20 602**	23 683

Credit quality of derivative assets

At the statement of financial position date, the international long-term credit ratings, using Moody's ratings, were as follows:

R'000	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to Ba3	Not rated	ECL	Total carrying amount
2024							
Derivative assets	**—**	**—**	**—**	**1 097**	**32 507**	**—**	**33 604**
2023							
Derivative assets	—	—	—	2 087	31 468	—	33 555

Accounting policies

The group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks.

The group designates certain derivatives as:

- hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge)
- economic hedges if not qualifying in terms of the hedge accounting criteria classified as FVTPL.

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

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

The group also facilitates the process for Business bank clients to enter into forward exchange contracts.

Treatment of hedges qualifying as cash flow hedges

The group applies IAS 39 to hedge accounting with the disclosures required by IFRS 7.

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 and deferred within equity. The gain or loss relating to the ineffective portion is recognised in the income statement immediately.

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.

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 the movement in financial instruments held at FVTPL, disclosed under operating expenses.

At the inception of the transaction, the group designates the relationship between hedging instruments and hedged items as well as its risk management objectives and strategy for undertaking various hedging transactions. The group 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 in cash flows of hedged items.

Movements on the hedging reserve in shareholders' equity are shown in note 23.

46. Derivative financial instruments continued

Accounting policies continued

Treatment of economic hedges classified as FVTPL

Derivatives are only held to cover economic exposures.

Derivatives are classified as held for trading and measured at FVTPL to the extent that they are not part of a designated hedging relationship. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting date. Changes in the fair value of derivatives classified as FVTPL are taken to profit or loss immediately. The recognition of the resulting gain or loss depends on whether the derivative is designated and effective as a hedging instrument and, if so, the nature of the item being hedged. Transaction costs are expensed.

All derivative contracts are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Fair values are obtained from quoted market prices, where available. Alternatively, valuation techniques based on observable market prices are used where possible, failing which, estimates are used.

Interest rate swaps designated as cash flow hedges

Gains and losses recognised in comprehensive income (note 37.6) on swap agreements will be continuously released to the income statement in line with the interest expense movement on the underlying hedged items.

The forecast cash flows presented 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. The hedged items comprise variable-rate bonds and negotiable instruments detailed in note 17. To ensure hedge effectiveness, the variable-rate cash flows on the hedged items are matched with variable-rate interest rate swap cash flows (hedging instruments) by entering into swaps where amounts, interest rates and maturities of the swaps exactly match the hedged items.

As at 29 February 2024, the fixed interest rate was 7.5% (2023: 7.5%) and the floating rate was based on the forecast 3-month JIBAR as at 29 February 2024.

The fair value adjustment transferred to the income statement amounted to a debit of R3.2 million (2023: a credit of R10.2 million) and is included in interest expense. In 2023 and 2024, there were no transactions for which cash flow hedge accounting had to be discontinued due to highly probable cash flow no longer expected to occur.

Interest rate swaps are valued on a DCF basis using yield curves appropriate for the relevant swap rate.

Forward foreign exchange contracts designated as economic hedges

Forward foreign exchange contracts represent commitments to purchase foreign currency, including undelivered spot transactions, and were entered into to match corresponding expected future transactions.

47. Events after the reporting period

There have been no material changes in the group's affairs or financial position since the statement of financial position date with the exception of the matters detailed below.

Acquisition of Avafin Holdings Limited

On 11 March 2024, the SARB approved a transaction in which Capitec will increase its shareholding in Avafin, an international online consumer lending group, from 40.66% to 97.69% at a purchase price of EUR26.3 million. Using the spot currency rate on 29 February 2024, this translates to R547 million. Avafin management will continue to hold the residual interest in the business in line with Capitec's philosophy of management ownership.

The key reasons for acquiring the controlling interest in Avafin are as follows:

- Strong culture fit – Avafin is a small business, taking on large market leaders by focusing on niche solutions for clients through the efficient use of a sophisticated, scalable, technology-driven online consumer credit platform and sound credit risk management principles
- Geographical diversification – The business model developed from a high dependency on a single market to successful operations in multiple markets. Avafin provides online consumer loan products in Poland, the Czech Republic, Latvia, Spain and Mexico
- Excellent management team – Management and staff are innovative with a pragmatic approach and are responsive to changes in the diverse geographical environments in which they operate.

Avafin is closely aligned to Capitec's client-centric retail business model and well positioned for growth.

On 15 April 2024, the Polish competition authority approved the transaction. Due to the proximity of the acquisition to the publication date of the financial statements, the initial accounting for the business combination, including the purchase price allocation, has not been completed.

The summarised financial statements of Avafin as an associate are included in note 12.

Reinsurance recapture from Sanlam Developing Markets Limited

Capitec gave notice of the termination of the funeral product cooperation arrangement (the arrangement), effective 1 November 2024, at which point Sanlam will cease to provide reinsurance and any administration services to the Centriq cell captive held by Capitec Ins Proprietary Limited. Capitec Life Limited (Capitec Life) will take over the administration of the in-force insurance book and will commence writing new funeral business on its own insurance licence from that date. The policies in force on the termination date will remain on the Centriq cell captive licence and will be transferred to the Capitec Life licence at a later date.

As a result of the termination, a reinsurance recapture amount of R1.9 billion is payable to Sanlam on or before the termination date. The reinsurance recapture amount represents the loss of expected profits due to the Sanlam group for the policies expected to be in force in terms of the arrangement up to 31 October 2024.

The transaction is subject to certain conditions, including approval from the relevant authorities. On 14 March 2024, Capitec received confirmation from the Competition Commission that the transaction had been approved. Other regulatory approvals, notably regarding licensing conditions to provide the administration services, are still pending.

Financial impact

Capitec recognises its rights and obligations in the arrangement as an in-substance inward reinsurance contract. Capitec applies IFRS 17 *Insurance Contracts* to all in-substance reinsurance arrangements. The insurance contract is currently measured with reference to Capitec's 70% participation in the arrangement. The R1.9 billion (R1.4 billion after tax) consideration entitles Capitec to an additional 30% participation in the in-force book. Consequently, the projected cash flows from the in-substance reinsurance contract will increase by the additional participation rights acquired but will decrease by the consideration paid. To the extent that there is a difference between the increase in the fulfilment cash flows from the additional participation and the consideration paid it will adjust the CSM. The transaction does not have a profit or loss impact on transaction date. Current estimates indicate that it is not likely that there will be a material difference on 1 November 2024, but this is subject to actual performance over the period to 31 October 2024.

Capitec Bank Limited v Commissioner for the South African Revenue Service

On 12 April 2024, the Constitutional Court of South Africa decided on the matter between Capitec Bank Limited and the Commissioner for the South African Revenue Service which was heard on 5 September 2023. The orders of the Tax Court and Supreme Court of Appeal were set aside and the assessment for Capitec Bank Limited's November 2017 value-added tax period was remitted to SARS for examination and assessment in accordance with the principles set out in the judgement.

Based on the judgement, Capitec Bank and SARS are required to re-engage to determine the apportionment of input tax deducted by Capitec Bank Limited. Based on the fact that Capitec Bank and SARS have yet to engage, there is no additional certainty to quantify the impact of the decision and the judgement is therefore a non-adjusting event.

Statutory information

	2024		2023	
	Shares held Number	**Shareholding %**	**Shares held Number**	**Shareholding %**
Beneficial owners with an interest of 5% or more in the company's ordinary shares				
Government Employees Pension Fund	**18 063 141**	**15.56**	18 287 261	15.75
MSdP le Roux	**13 193 193**	**11.36**	13 190 043	11.36
Kalander Trust and its subsidiaries[1]	**7 486 164**	**6.44**	7 483 014	6.44
Fynbos Trust and its subsidiaries	**5 675 753**	**4.89**	5 675 753	4.89
Related party	**31 276**	**0.03**	31 276	0.03
Lebashe Investment Group Proprietary Limited	**7 654 840**	**6.59**	8 409 802	7.24
JP Morgan Chase & Co[2]	**5 932 702**	**5.11**	6 048 802	5.21
JF Mouton Familie Trust and its subsidiaries	**5 917 727**	**5.10**	5 917 727	5.10
B-BBEE shareholding				
Shareholder				
Lebashe Investment Group Proprietary Limited	**7 654 840**	**6.59**	8 409 802	7.24
Lebashe Investment Group Proprietary Limited	**4 529 773**	**3.90**	5 284 735	4.55
K2017134938 (South Africa) Proprietary Limited	**3 125 067**	**2.69**	3 125 067	2.69
Izindaba Ezinhle Employee Share Scheme[3]	**429 201**	**0.37**	429 299	0.37
CB Employee Holdings Proprietary Limited	**235 763**	**0.20**	235 763	0.20
NS Mashiya[4]	**23 209**	**0.02**	23 173	0.02
Total B-BBEE shareholding	**8 343 013**	**7.18**	9 098 037	7.84
Shareholding by executive management excluding directors of the company[5]				
Shareholder				
HAJ Lourens	**495 158**	**0.43**	492 738	0.42
W de Bruyn	**99 246**	**0.09**	100 000	0.09
F Viviers	**10 936**	**0.01**	14 951	0.01
KR Kumbier	**11 347**	**0.01**	9 354	0.01
GR Lee	**5 746**	**—**	3 819	—
R Butler	**1 690**	**—**	1 064	—
KE Barker	**863**	**—**	863	—
Total executive management shareholding	**624 986**	**0.54**	622 789	0.53

[1] *Kalander Trust's indirect beneficial ownership is primarily held through Kalander Sekuriteit Proprietary Limited that holds 5.57% in Capitec.*
[2] *JP Morgan Chase & Co (JP Morgan) advised, in the prescribed manner, on 15 January 2024 that subsidiaries of JP Morgan have increased their aggregate beneficial interest in Capitec to 5.11% (5 932 702 Capitec shares).*
[3] *Shares with a 5-year trade restriction. Refer to note 43.2. A total of 91% of the shares were awarded to employees that meet B-BBEE requirements.*
[4] *Mr NS Mashiya resigned effective 31 March 2023.*
[5] *Executive directors' shareholdings are presented in the related party note. Refer to note 39.*

Analysis of shareholders holding ordinary shares as at 29 February 2024

	Number of shareholders	% of total	Number of shares	% of interest
1 – 1 000	39 615	94.50	2 916 153	1.35
1 001 – 10 000	1 646	3.93	5 427 118	2.51
10 001 – 100 000	526	1.25	116 145 955	53.75
100 001 and over	133	0.32	91 610 617	42.39
Total shareholding	**41 920**	**100.00**	**216 099 843**	**100.00**
Shareholder spread				
Public shareholders[1]	**31 316**	**74.70**	**90 421 358**	**77.88**
Holdings less than 5%	31 315	74.70	72 358 217	62.32
Holdings of 5% or more	1	—	18 063 141	15.56
Non-public shareholders excluding directors and their associates	**10 576**	**25.23**	**4 674 904**	**4.03**
Holdings less than 5%	10 576	25.23	4 674 904	4.03
Izindaba Ezinhle Employee Share Scheme	10 442	24.91	473 101	0.41
Holdings of senior managers under the RSP	125	0.30	56 575	0.05
Prescribed officers of the company excluding directors of the company or any of its subsidiaries	6	0.02	624 123	0.54
K2017134938 (South Africa) Proprietary Limited	1	—	3 125 067	2.69
Trustees of the Capitec Bank Group Employee Empowerment Trust	1	—	235 763	0.20
Trustees of the Capitec Bank Holdings Share Trust	1	—	160 275	0.14
There is no non-public shareholder, excluding directors and their associates, that holds 5% or more	—	—	—	—
Directors (refer to page 310 for details)	**28**	**0.07**	**21 003 581**	**18.09**
Associates of directors of the company	21	0.06	20 976 704	18.07
Directors of the company	5	0.01	25 417	0.02
Directors of subsidiaries of the company	2	0.00	1 460	0.00
Total shareholding	**41 920**	**100.00**	**116 099 843**	**100.00**

Analysis of shareholders holding non-redeemable, non-cumulative, non-participating preference shares

	Number of shareholders	% of total	Number of shares	% of interest
1 – 1 000	2 394	95.64	66 198	13.81
1 001 – 10 000	103	4.12	295 782	61.72
10 001 – 100 000	6	0.24	117 275	24.47
Total preference shares held	**2 503**	**100.00**	**479 255**	**100.00**
Shareholder spread				
Public shareholders	**2 503**	**100.00**	**479 255**	**100.00**
Holdings less than 5%	2 502	99.96	449 255	93.74
Holdings of 5% and more	1	0.04	30 000	6.26
Non-public shareholders	**—**	**—**	**—**	**—**
There are no non-public shareholders or directors or their associates that hold preference shares.	—	—	—	—
Total preference shares held	**2 503**	**100.00**	**479 255**	**100.00**

[1] *The group applies the definition as envisaged in par 4.25 of the JSE Listing Requirements to define public shareholders.*

Abbreviations and acronyms

AGM	Annual general meeting
AI	Artificial intelligence
ALCO	Asset and liability committee
ALM	Asset and liability management
AML	Anti-money laundering
ARCMC	Audit, risk and capital management committee
AT1	Additional tier 1
ATM	Automated teller machine
Avafin	Avafin Holdings Limited
AWS	Amazon Web Services
Banks Act	Banks Act, Act 94 of 1990
BANKSETA	Banking Sector Education and Training Authority
BASA	Banking Association South Africa
BASS	Behaviour, affordability, security and source
B-BBEE	Broad-based black economic empowerment
BCBS	Basel Committee on Banking Supervision
BCC	Business bank credit committee
BER	Bureau for Economic Research
Capitec	Capitec Bank Holdings Limited
Capitec Bank	Capitec Bank Limited
Capitec Ins	Capitec Ins. Proprietary Limited
Capitec Life	Capitec Life Limited
CAPM	Capital asset pricing model
CAR	Capital adequacy ratio
CB	Capitec Bank
CBCC	Capitec Business credit committee
CCF	Credit conversion factors
CCR	Counterparty credit risk
CEO	Chief executive officer
CEO values	The values that govern the behaviour of our employees are: client first; energy; and ownership
CET1	Common equity tier 1
CFO	Chief financial officer
CGU	Cash-generating unit
CLR	Credit loss recovery
CNR	Coin and note recyclers
CODM	Chief operating decision-maker
COE	Cost of equity
Companies Act	Companies Act of South Africa, Act 71 of 2008
COVID-19	Coronavirus disease 2019, an infectious disease caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2)
CPI	Consumer Price Index
CRM	Credit risk mitigation
CSI	Corporate social investment
CSM	Contractual service margin
CSR	Conditional share rights
DAC	Directors' affairs committee
Data Steerco	Data steering committee
DCF	Discounted cash flow
Deloitte	Deloitte & Touche
DMTN	Domestic medium-term note
DNR	Dual note recycler
D-SIB	Domestic systemically important bank
EAD	Exposure at default
ECD	Early childhood development
E-cap	Economic capital
ECL	Expected credit loss
EDC	External debt collector
EE Act	Employment Equity Amendment Act, Act 4 of 2022
EFT	Electronic funds transfer
EMS	Economic and management sciences
ERM	Enterprise risk management
ESG	Environmental, social and governance
EUR	Euro
EXCO	Executive committee
FATF	Financial Action Task Force
FICA	Financial Intelligence Centre Act, Act 38 of 2001
FSCA	Financial Sector Conduct Authority
FVOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
GDP	Gross domestic product
GHG	Greenhouse gas
GOI	Governance and Operational Standards for Insurers
GRP	Guaranteed package, excluding risk benefits
H1 2024	6 months ended August 2023
H2 2024	6 months ended February 2024
HEPS	Headline earnings per share
HR	Human resources
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IBOR	Interbank Offered Rates
ICAAP	Internal capital adequacy assessment process
IFRIC	IFRS Interpretations Committee
IFRS	International Financial Reporting Standards
Income Tax Act	Income Tax Act, Act 58 of 1962
IOD	Injuries on duty
IoDSA	Institute of Directors South Africa
IRBA Code	Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors
IRP	Integrated recovery plan
ISAs	International Standards on Auditing
ISF	Information Security Forum
ISIN	International Securities Identification Numbering
ISO	International Organisation for Standardisation
IT	Information technology
JIBAR	Johannesburg Interbank Average Rate
JSE	Johannesburg Stock Exchange Limited
JSE IRC	The Johannesburg Stock Exchange's Interest Rate and Currency market
kg	kilogramme
King IV™	King IV Report on Corporate Governance for South Africa, 2016TM
KPI	Key performance indicator
KRI	Key risk indicator
LCR	Liquidity coverage ratio
LFRC	Liability for remaining coverage
LGD	Loss given default
LIC	Liability for incurred claims
LTI	Long-term incentive
m^2	Square metre
Mercantile	Mercantile Bank Limited (name changed to Mer Pastcomp Limited in January 2021)
Moody's	Moody's Ratings
MOS	Management operating system
MRA	Modified retrospective approach
MSR	Minimum shareholding requirements
MTSC	Modelling technical subcommittee
MWh	Megawatt hour
NCA	National Credit Act, Act 34 of 2005
NQF	National Qualifications Framework
NSFR	Net stable funding ratio
OHS	Occupational health and safety
ORSA	Own risk and solvency assessment
OTC	Over-the-counter
oz	Ounce
PA	Prudential Authority
PD	Probability of default
PIN	Personal identification number
POR	BCBS Principles for Operational Resilience
POS	Point-of-sale
Primary banking client	When we refer to primary banking clients, we mean clients who make regular deposits, mainly salaries
PwC	PricewaterhouseCoopers Inc.
Quality client	Quality banking clients are those clients who have stable inflows into their account and stable product usage over a consecutive 3-month period
RA	Risk adjustment for non-financial risk
RCC	Retail bank credit committee
RCDR	Retail call deposit limit ratio
RCMC	Risk and capital management committee
RCSA	Risk control self-assessment
RDARR	Risk data aggregation and risk reporting
REMCO	Human resources and remuneration committee
Remote banking	Remote banking refers to both banking app and USSD transactions
RISCO	Risk committee
ROE	Return on equity
RROC	Risk and regulatory oversight committee
RSP	Restricted share plan
RTC	Realtime clearing
RWA	Risk-weighted assets
SAICA	South African Institute of Chartered Accountants
SARA	South African Reward Association
SARB	South African Reserve Bank
SARs	Share appreciation rights
SARS	South African Revenue Service
SBBI®	Stocks, Bonds, Bills and Inflation
SENS	Stock Exchange News Service
SESCO	Social, ethics and sustainability committee
SICR	Significant increase in credit risk
SIFI	Systemically important financial institution
SIM	Subscriber Identity Module
SMEs	Small- and medium-sized enterprises
SMS	Short Message Service
SPPI	Solely payments of principal and interest
STEM	Science, technology, engineering and mathematics
STI	Short-term incentive
SWIFT	Society for Worldwide Interbank Financial Telecommunications
T1	Tier 1
T2	Tier 2
TCF	Treating Customers Fairly
tCO_2e	Tonnes of carbon dioxide equivalent
TGP	Total guaranteed pay
the group	Capitec Bank Holdings Limited and subsidiaries
TR	Total remuneration
TREC	Thursday Retail bank executive credit meeting
TSR	Total shareholder return
UK	United Kingdom
UN SDGs	United Nations Sustainable Development Goals
USD	US dollar
USSD	Unstructured Supplementary Service Data
VaR	Value at risk methodology
VAS	Value-added services
VAT	Value added tax
VWAP	Volume-weighted average price
WHO	World Health Organisation
ZARONIA	South African Rand Overnight Index Average

Shareholders' calendar

Financial year-end	29 February 2024
Profit announcement	23 April 2024
Integrated annual report	23 April 2024
AGM	31 May 2024
Interim report	October 2024

Contact information

Capitec Bank Holdings Limited

Registration number: 1999/025903/06
Registered bank controlling company
Incorporated in the Republic of South Africa
JSE ordinary share code: CPI
ISIN code: ZAE000035861
JSE preference share code: CPIP
ISIN code: ZAE000083838

Directors

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

[1] *Executive*

Group company secretary and registered office

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

Postal address

PO Box 12451, Die Boord, Stellenbosch, 7613

Transfer secretary

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Registration number: 2004/003647/07
Rosebank Towers, 15 Biermann Avenue
Rosebank, Johannesburg, 2196
Private Bag X9000, Saxonwold, 2132

Sponsor

PSG Capital Proprietary Limited
Registration number: 2006/015817/07
1st Floor, Ou Kollege Building
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