

Portfolio Committee on Trade, Industry and Competition

Engagement on access to development finance

04 February 2025



Banking the unbanked

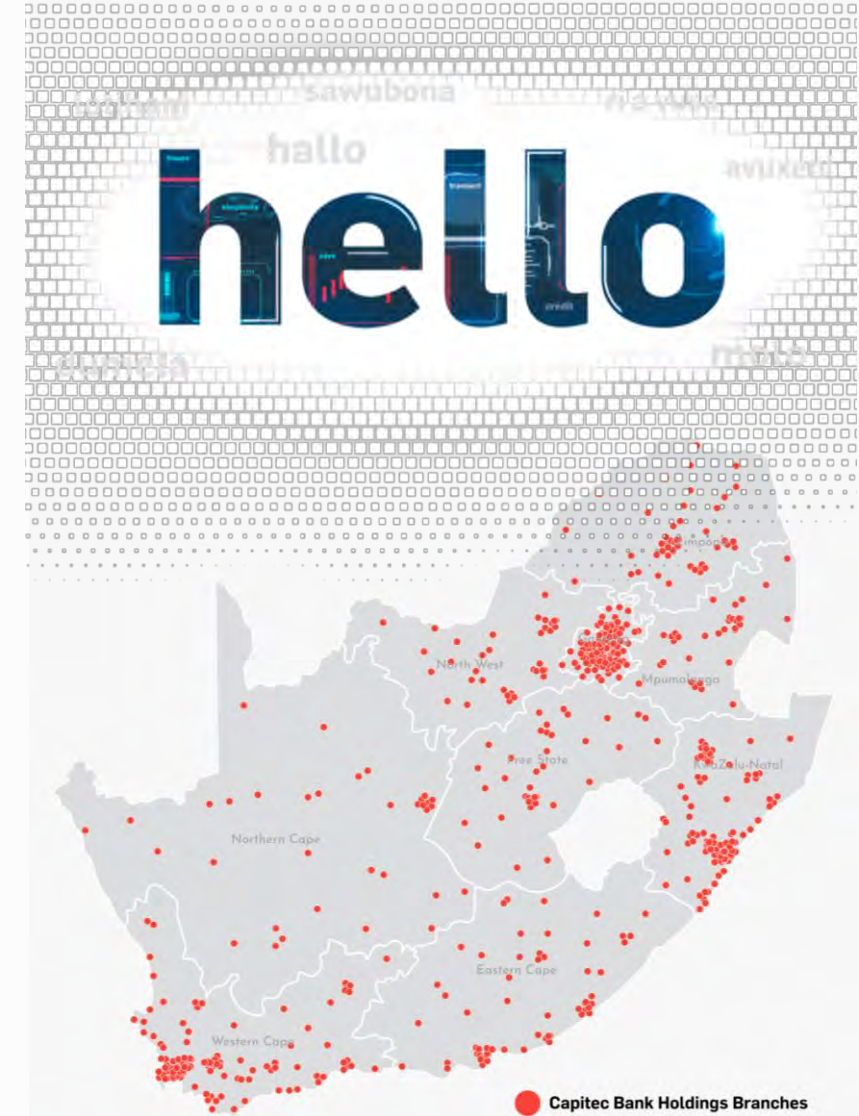
To make a meaningful difference in people's lives,
empowering them to grow

Capitec, the South African story



We believe that financial progress should be **for everyone**. That's why we've built a bank with **one simple, affordable and transparent solution**, where every client gets the **same product, service and pricing**.

Our branches make banking accessible and inclusive. **Located in the heart of communities across South Africa, they are employed by the community to support needs of the community.** With products built to serve these needs, we have transformed lives and supported business growth. Our story is not just a banking story – it's a South African story.



The Capitec journey

Banking the unbanked and growing the SA economy

	Micro-lender 2000 – 2004	Personal bank 2005 – 2014	Digital bank 2015 – 2021	Diversified Financial Services Group 2022 – 2024
Clients	60k	5.4 million	15.8 million	22.2 million
Digital clients	–	3.2 million	5.3 million	12.4 million
Branches	148	629	851	864
Personal credit balances	R239 million	R34 billion	R64 billion	R84 billion
Business credit balances	–	–	R11 billion	R19 billion
Key events	2001: Banking licence 2003: 1 st deposit taken 2004: 3-month term loan	2006: Global One gold card 2011: 60-month term loan & USSD platform 2014: Side-by-side consulting	2016: Home loans (SA Home Loans) 2017: Credit card 2018: Funeral plan 2019: Acquired Mercantile	2022: Strategic initiatives 2023: Capitec Business 2023: Insurance Licence
Regulations		2006: National Credit Act (NCA) 2012: Debt Counselling Regulations	2015: NCA Affordability Regulations and Interest and Fees Caps 2017: Credit Life Insurance Caps	

Challenges

Preventing granting of more credit at lower interest rates

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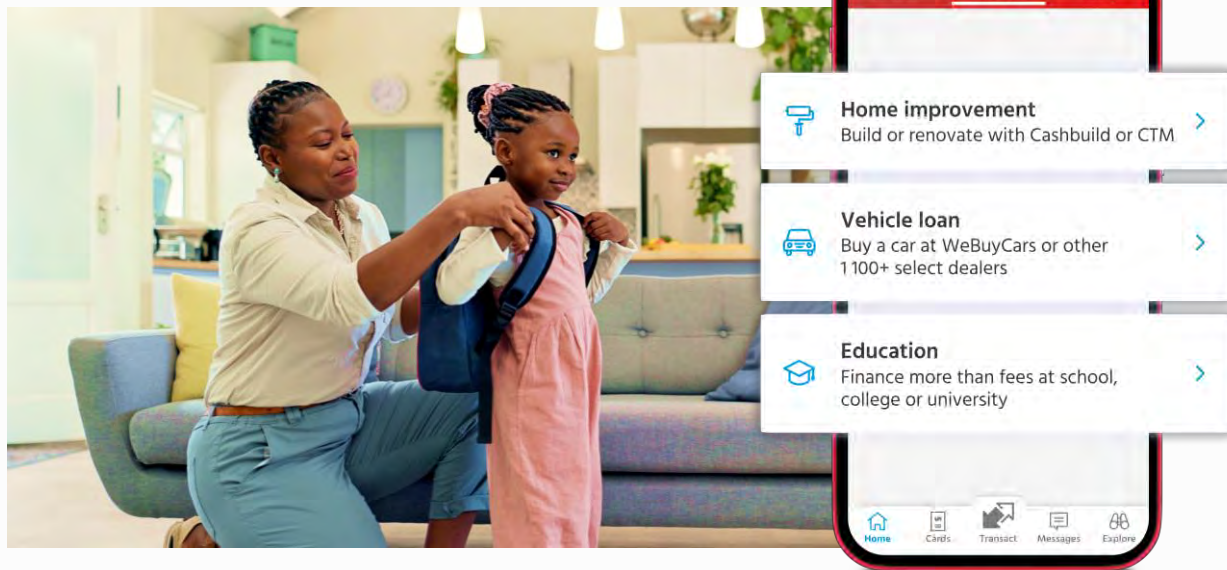
Our strategy

Personal bank

Evolution of unsecured development credit into credit for a purpose

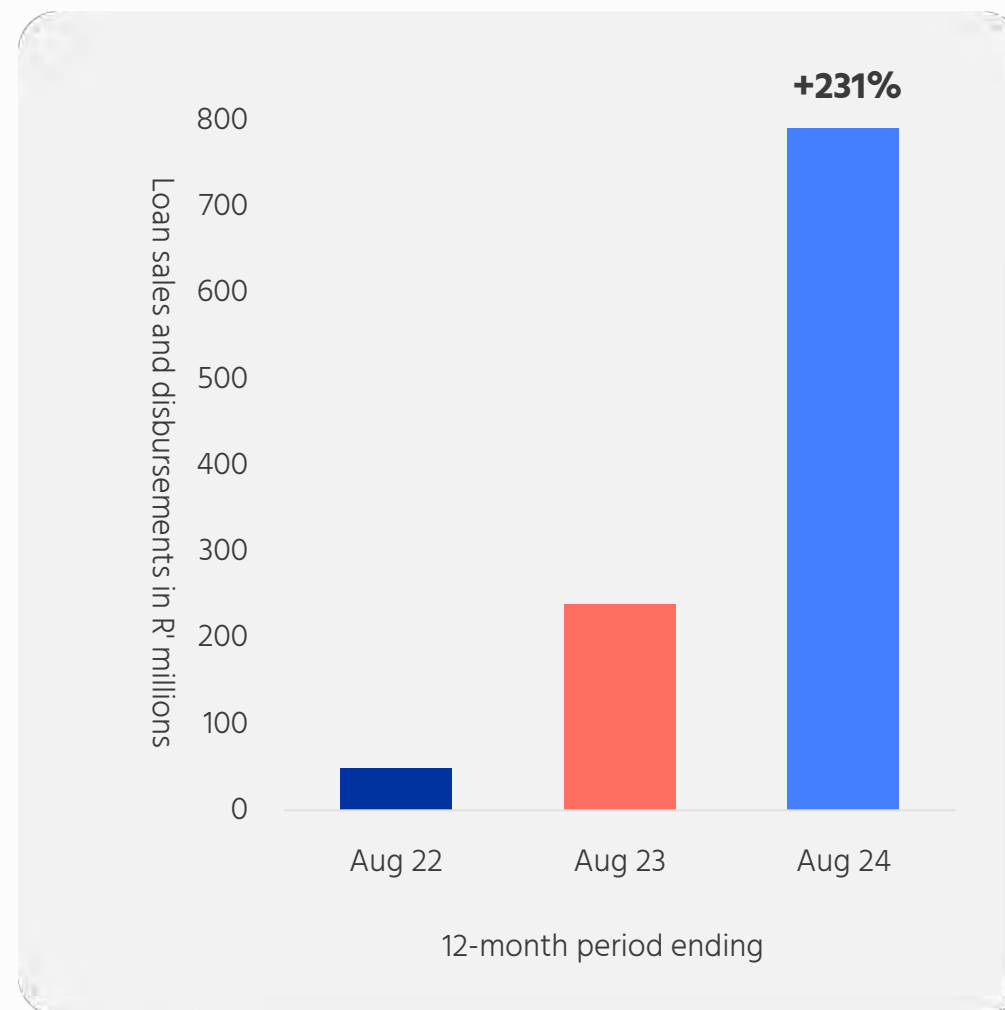
Credit for a purpose

Using data to lower interest rates



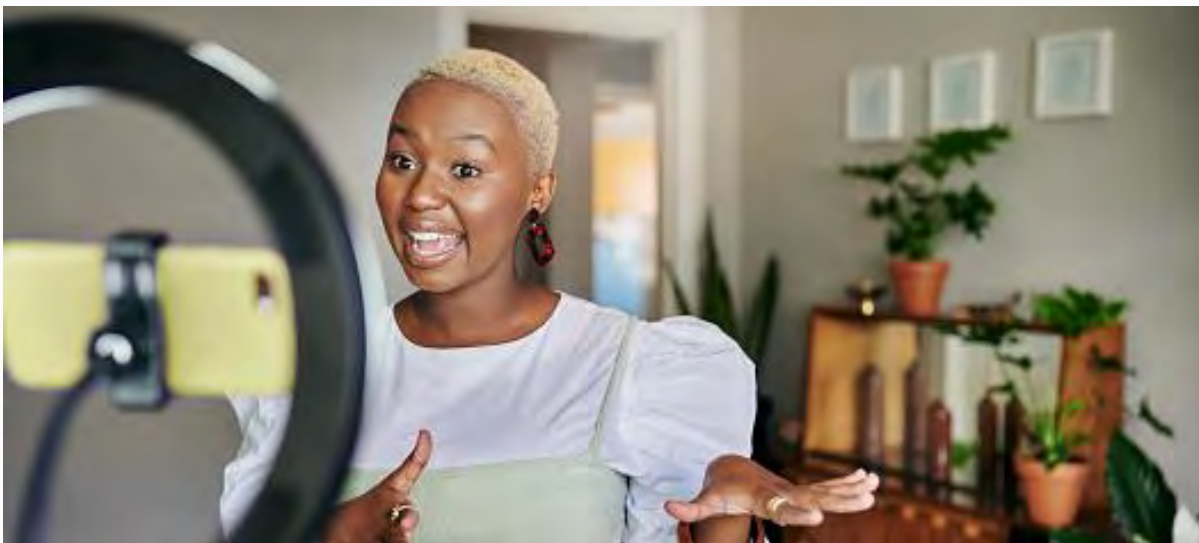
Working with partners (including over 800 building supplies locations, over 1 100 independent vehicle dealers, over 330 tertiary education institutions, and more than 25 000 schools) enables access to **more data, reduces risk and enabling the granting of more credit.**

By integrating partner data with machine learning, we offer **credit for a purpose at up to 5% lower interest rates.**



Multiple income earners

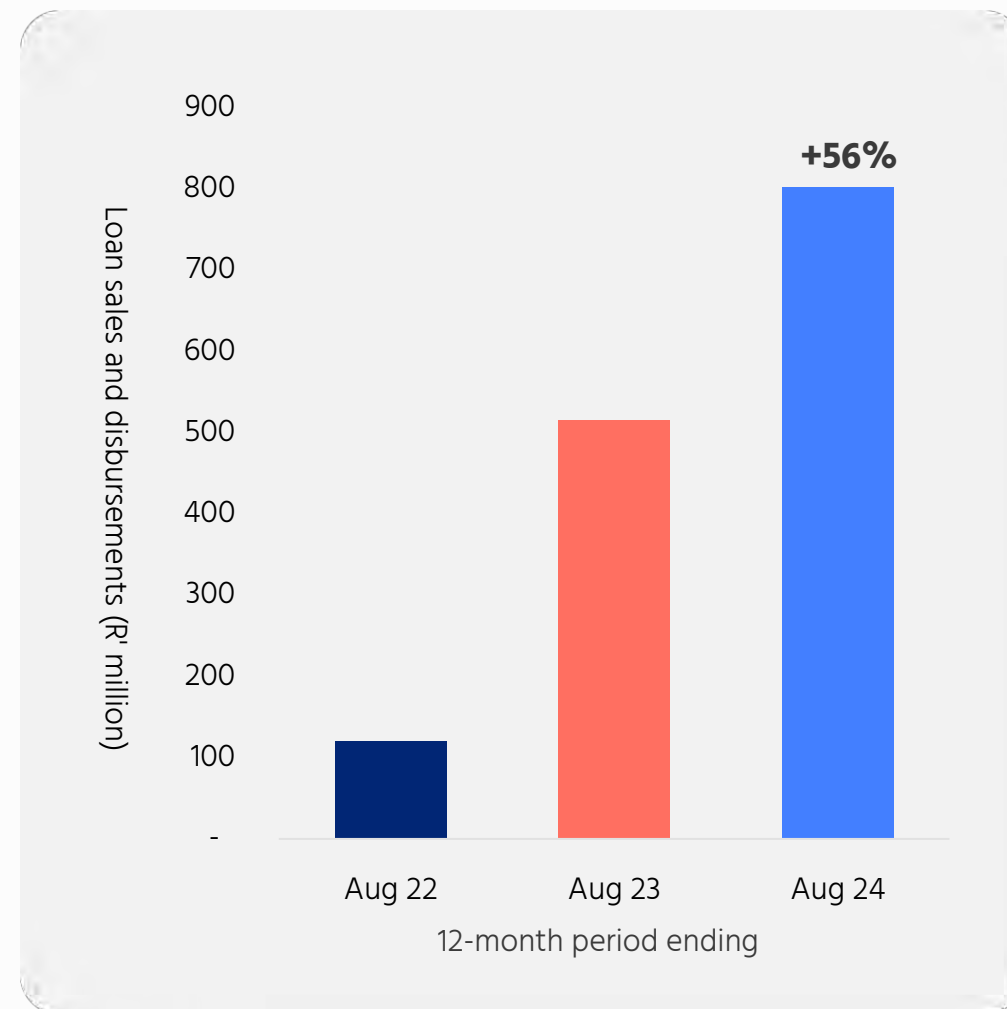
Recognising data from side hustle income earners to empower them to grow



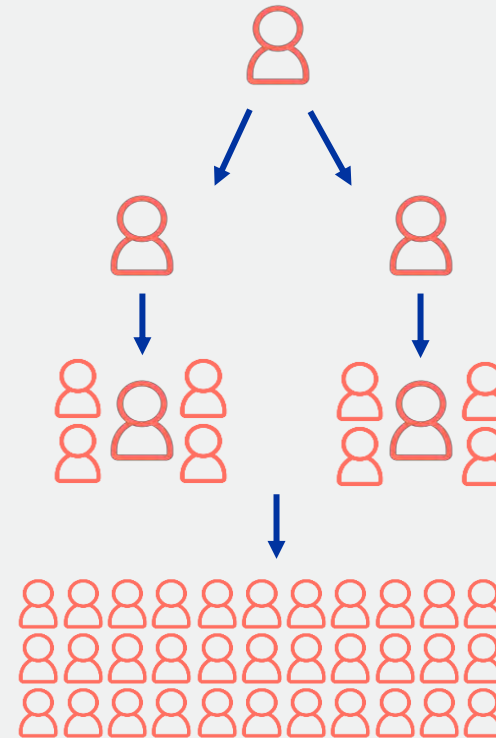
One-third of Gen-Z have side hustles, this includes freelancers, contractors, artists, influencers and rental income.

Data allows us to recognise different forms of income.

By combining machine learning, skilled people and advanced technology, we're able to **provide access to credit**.



Business bank



1.5 million
SMEs

Employing
3 million people

Results in a community of
15 million people
supported

Why we launched Capitec Business

Accessible and simplified business banking for everyone

- To make a meaningful difference in SA by growing SMEs; the heartbeat of our economy
- Simple and transparent product offering
- Supported by a highly experienced Relationship Banking team whenever clients need them

**Affordable
business banking
for everyone**



FREE Online banking and card payments

R1
Capitec to Capitec payment

R2
Payment to other banks

R3
Debit order

R6
Immediate payment to any bank

R10
Cash withdrawals (per R1 000) at any bank's ATM in SA

R50 | Monthly fee



Bringing business banking to emerging markets

Growing small, medium and emerging businesses

SMEs can **accept card payments** through discounted card machines.

Digital transactions help build a verifiable **data footprint of cash flow and income** increasing the ability to grant credit to SMEs.

Flexible daily collections enable businesses to “**pay-as-you-earn**”.



Lowest, transparent commission rates

- 0.85% for debit cards
- 1.85% for credit cards



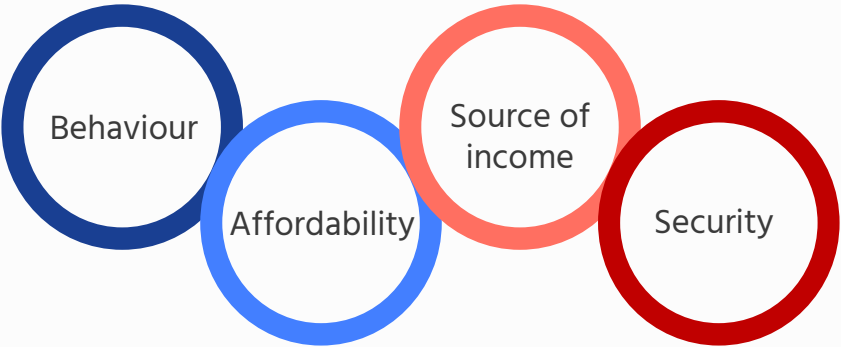
Responses to questions

Question 1

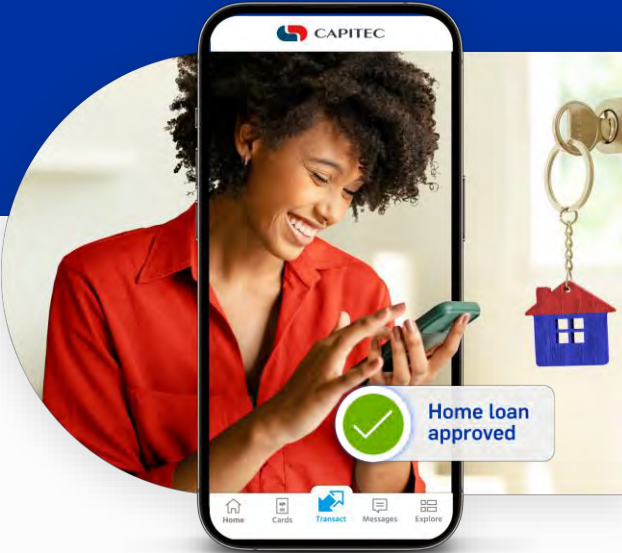
“The development credit finance it offers, the lending criteria for these, the interest rate ranges on these products and how Capitec markets these products.”

We treat all clients the same, our **lending criteria is consistent**, charging the lowest price possible.

Lending offers are **based on risk**, which is assessed using past transactional and credit behaviour, disposable income stability and collateral.



	Interest rate	Credit loss ratio
Unsecured credit	11.25% to 28.75%	6.5% to 10.5%
Secured credit	8.75% to 14.50%	1.0% to 3.0%



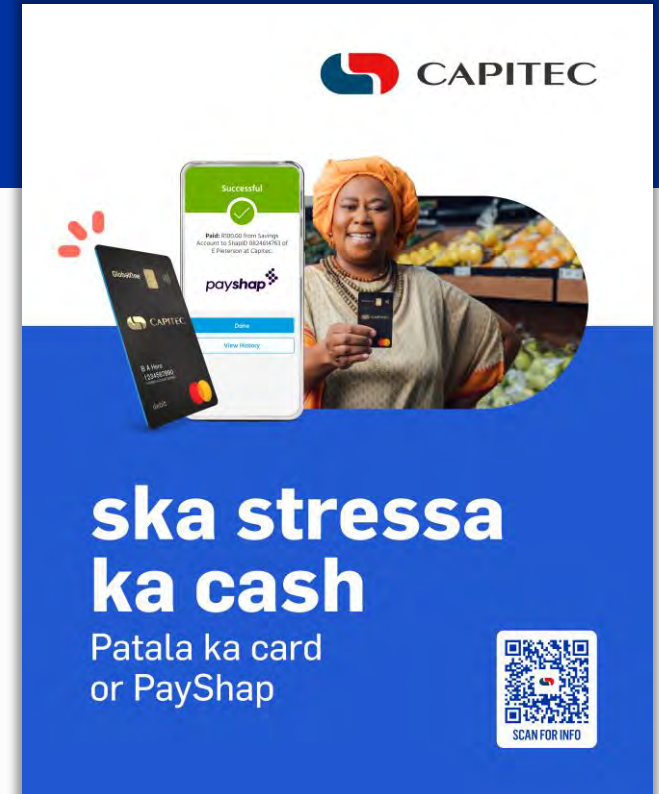
Question 1

“The development credit finance it offers, the lending criteria for these, the interest rate ranges on these products and how Capitec markets these products.”

We connect with every community **in South African languages** – through local **radio, billboards and consultants in our branches**.

Our **branches are in the hearts of communities across South Africa, employing people** who speak all SA languages, understand the challenges and are dedicated to supporting the unique needs of their community.

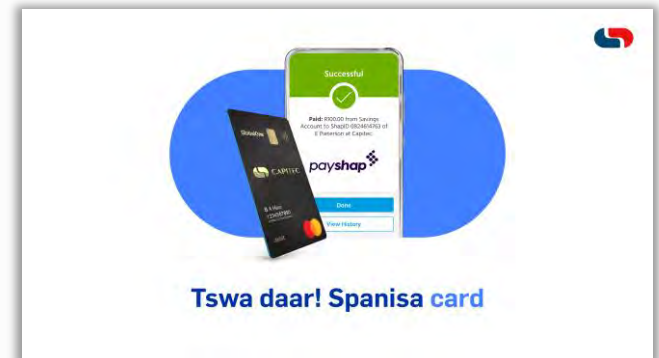
We actively spend time **walking the streets of all communities**, speaking to SMEs and **learning from clients** so we can better serve everyone's needs.



The advertisement features the Capitec logo at the top right. Below it, a woman in an orange headwrap and patterned top is smiling and holding a black Capitec card. To her left, a smartphone displays a 'Successful' transaction confirmation for a PayShop purchase. The background is a blurred image of a grocery store. The bottom half of the ad has a blue background with the text 'ska stressa ka cash' in large white letters, followed by 'Patala ka card or PayShop' in smaller white text. A QR code with the text 'SCAN FOR INFO' is located in the bottom right corner.

ska stressa ka cash
Patala ka card
or PayShop

SCAN FOR INFO



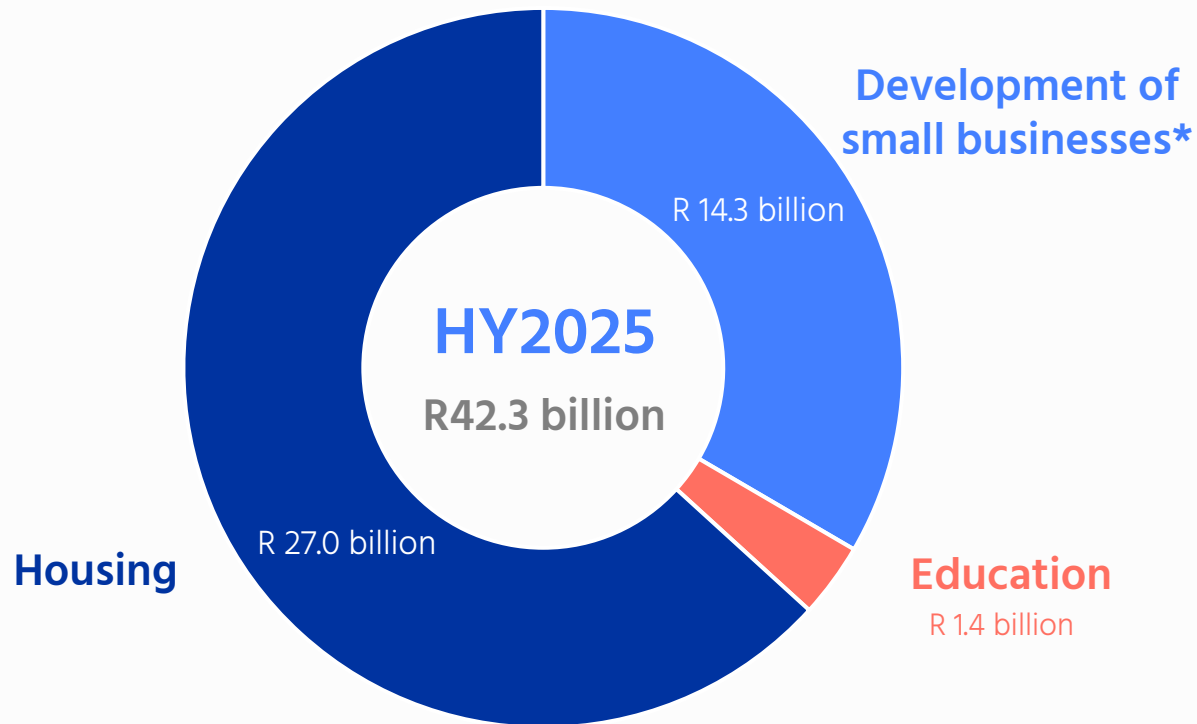
The advertisement features the Capitec logo at the top right. Below it, a smartphone displays a 'Successful' transaction confirmation for a Spanisa card purchase. The background is a blurred image of a grocery store. The bottom half of the ad has a white background with the text 'Tswa daar! Spanisa card' in blue letters.

Tswa daar! Spanisa card

Question 2

“The proportion of outstanding development finance compared to your total outstanding debtors’ book and the purpose thereof, e.g. study loans and housing.”

Outstanding debtors’ book for credit for “developmental reasons” as at 31 August 2024.



41% of the outstanding book is for developmental credit purposes.

Additional R3 billion in home loans originated through SA Home Loans collaboration.

Average home loan size R880 000 compared to market average of R1.3 million.

*Excludes business banking large exposures (>R100m) clients.

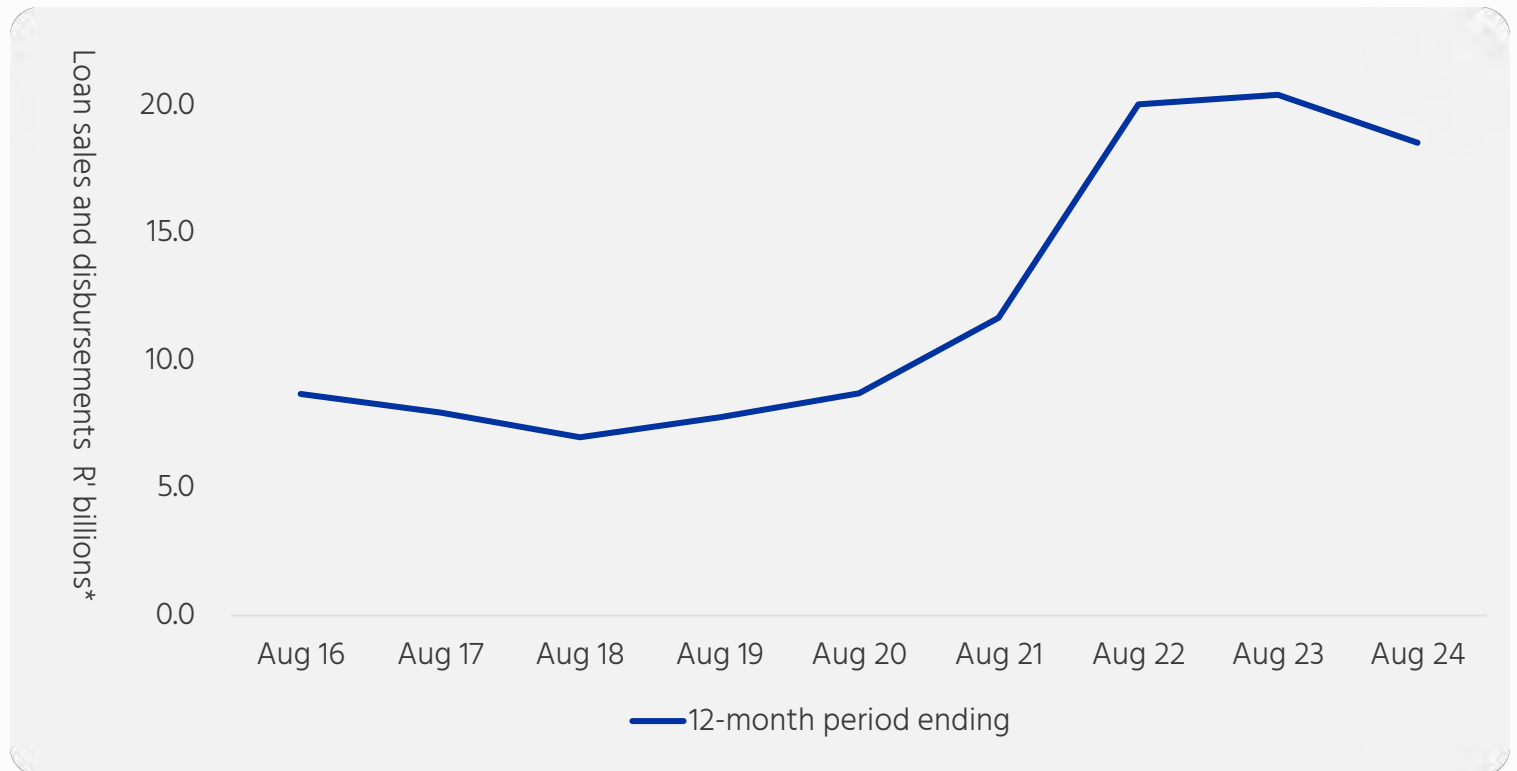
Question 3

“The trend in development credit finance granted over the last ten years.”

Credit granted for **developmental reasons** since 2016.

R59 billion

in lending over the last three years towards **developing the economy through housing, education and small business development.**



*Business banking included from FY 2022

Question 4

“The availability of credit for productive purchases compared to access to credit for consumption purposes for particularly historically disadvantaged individuals.”

We treat all clients the same through a **consistent risk-based lending criteria**. Decisions are based on advanced rule engines that assess client risk and affordability, using past credit and transactional data to assign appropriate pricing. Our models do not include race as an input. Below is the outcome of these models for HY2025.

Overall approval rate

52.2%

Productive* credit approval rate

60.6%

67.6% of productive credit sales to HDIs⁺

*Credit for developmental reasons plus unsecured vehicle finance and funding of emergencies, incl. medical, death and funeral

+HDIs status only relevant for Capitec funded retail clients.

Question 5

“The relationship with development finance institutions such as the Industrial Development Corporation and the National Empowerment Fund to support industrialisation and small business development, particularly in rural areas.”

Scheme participation faces **notable challenges** given:

- significant **red tape**; and
- a large **administrative burden**

We have developed **solutions through our purpose-driven and emerging market initiatives.**

We are **working together:**

- **National Empowerment Fund:** Participating in franchising first loss agreement since June 2023
- **Education:** Participated in discussions to increase access to 'missing middle' clients
- **Finance Linked Individual Subsidy Program (FLISP):** Successful implementation of the new FLISP policy in 2023

Question 6:

“Measures that the bank is implementing to contribute to transformation within the economy”

- Capitec is a **B-BBEE level 1 contributor**
- We created **7 533 direct new jobs in the last 10 years**, bringing the total Capitec workforce to 16 603 people
- We provided **R59 billion of developmental credit** over the last three years

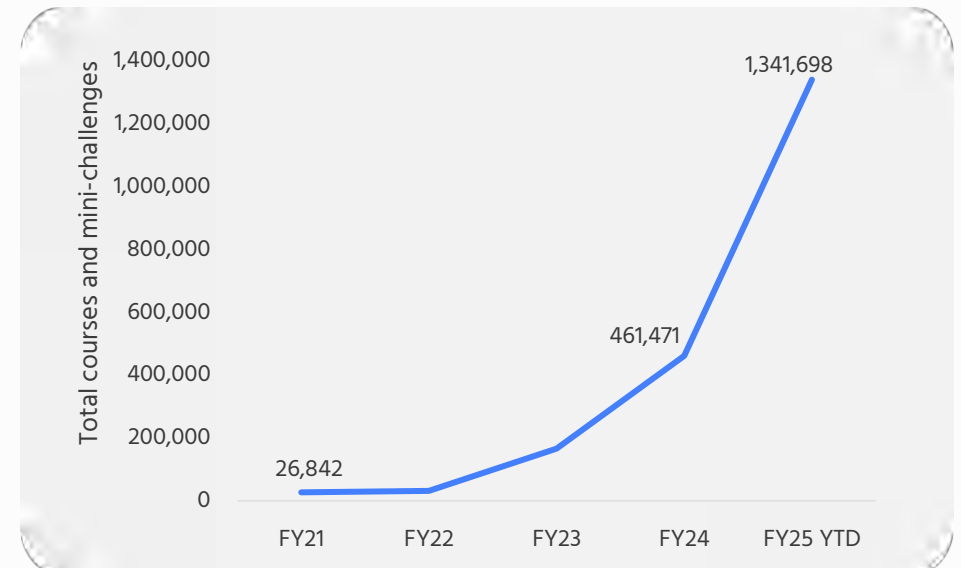


Socio-economic development

- Our primary **CSI focus is on education** with leading investment in Capitec Foundation’s whole school model.
- **20 953 school leaders, educators and learners** were developed through Capitec Foundation in FY25.
- Capitec Employee Volunteers supported **270 community initiatives** nationally in FY25.

Consumer financial education

- **492,000 unique users** completed over **2 million finance education lessons** with a focus on fraud education and money safety since 2020.
- **77 000 Grade 7 school learners** have benefitted from our Budget Champs card game since 2021.



Thank you

