

CAPITEC BANK HOLDINGS LIMITED

Registration number 1999/025903/06
Incorporated in the Republic of South Africa
Registered bank controlling company
Ordinary share code: CPI, ISIN: ZAE000035861
Preference share code: CPIP, ISIN: ZAE000083838
("Capitec" or "the Company")



CAPITEC BANK LIMITED

Registration number 1980/003695/06
Incorporated in the Republic of South Africa
Registered bank
Company code: BICAP
Stock Code: CBL29, ISIN: ZAG000158874
Stock Code: CBL30, ISIN: ZAG000180977
("Capitec Bank")

B-BBEE TRANSACTION INVOLVING SPECIFIC ISSUE OF SHARES FOR CASH

INTRODUCTION

Shareholders are referred to the Stock Exchange News Service ("**SENS**") announcement published on 15 December 2021, in which the Company advised that it was considering a broad-based black economic empowerment ("**B-BBEE**") transaction involving the specific issue of Capitec ordinary shares ("**Shares**") to the value of R1 000 000 000 to employees. The aim of the transaction is to improve Capitec's B-BBEE ownership status.

RATIONALE FOR THE SPECIFIC ISSUE

The Specific Issue is intended to benefit Participating Employees and improve Capitec's B-BBEE ownership status. In this regard, the ownership targets of the Financial Sector Charter require the Company's wholly-owned subsidiary, Capitec Bank, to have at least 25% black ownership, based on the modified flow-through principle. Capitec Bank's current black ownership per the B-BBEE scorecard in respect of the 2021 financial year, based on the modified flow-through principle, is 19.39%. The Specific Issue aims to improve Capitec's broad-based black economic ownership status while giving Participating Employees the opportunity to become shareholders. Aligning employees' interests with those of shareholders will further incentivise employees to serve the best interests of the Capitec group of companies ("**Group**"). The Specific Issue, if fully taken up, will contribute an additional c. 1.5 points to Capitec Bank's score under the ownership element of the B-BBEE scorecard.

A five-year trade restriction will be imposed in respect of the Specific Issue Shares to ensure that Capitec Bank benefits from the increase to its B-BBEE ownership score for an appropriate period.

THE SPECIFIC ISSUE

Shareholders are herewith advised that the Company intends to implement a specific issue of Shares for cash, which will be available to the more than 10 000 employees of the Group who are currently permanently employed with the Group and were so employed on or before 1 January 2019 (and continue to be so employed on the date on which the Shares are issued), excluding any person who is a director of Capitec or who is a related party to Capitec for purposes of the JSE Limited ("**JSE**")

Listings Requirements (“**Listings Requirements**”) or who is an annual participant in or beneficiary of the Capitec Bank Holdings Share Trust (“**Eligible Employees**”) (“**Specific Issue**”).

The Specific Issue involves the issuing of Shares (“**Specific Issue Shares**”) to those Eligible Employees who accept the opportunity to participate in the Specific Issue (“**Participating Employees**”), up to a maximum aggregate value of R1 000 000 000 (“**Aggregate Specific Issue Value**”). The number of Specific Issue Shares will be calculated with reference to the opening price of the Shares on the JSE on the date of the general meeting to be convened for Capitec shareholders (“**General Meeting**”) to vote on the resolutions required to give effect to the Specific Issue (“**Opening Price**”), provided that the number of Specific Issue Shares will be limited to and not exceed a maximum of 625 000 Shares.

The Specific Issue Shares will be issued after applying a discount in an amount equal to 50% of the Opening Price (“**Discount**”), with the remaining balance being the subscription price per Specific Issue Share (the “**Specific Issue Price**”). The Specific Issue Price payable will be funded through loans to be advanced by Capitec to Participating Employees in connection with the Specific Issue (“**Loans**”).

By way of example, assuming that the Specific Issue Shares will be issued at an indicative Specific Issue Price of R1 074.50 per Share (applying the Discount to an assumed indicative Opening Price of R2 149 per Share), this would result, taking the Aggregate Specific Issue Value of R1 000 000 000 into account, in 465 333 Specific Issue Shares being issued.

LOANS

Interest will accrue on the Loans at the official rate of interest published by the South African Reserve Bank (otherwise known as the repo rate) plus 1%.

Accrued interest will be due and payable on each date (“**Interest Payment Date**”) on which Capitec pays a dividend to its shareholders (“**Dividends**”). Capitec shall retain 50% of the relevant Dividends (after the deduction of applicable taxes) payable to the Participating Employee on the relevant Interest Payment Date (“**Retained Dividends**”) for purposes of settling the Participating Employee's obligation to settle the corresponding portion of accrued interest payable by the Employee on that Interest Payment Date. Any excess Retained Dividends will be used to settle the corresponding portion of the capital portion of the Loans. The remaining 50% of the relevant Dividends payable to the Participating Employee will be paid to the Participating Employee.

Participating Employees will repay the full amount of the Loans, together with any accrued, unpaid interest thereon, by no later than the fifth anniversary of the Specific Issue being implemented.

As continuing general covering collateral security for the full and punctual performance of all the Participating Employees' obligations under the applicable agreements, each Participating Employee pledges and cedes its relevant Specific Issue Shares in favour of Capitec. The pledge and cession will operate as a security cession and not as an outright cession, and the Participating Employee will retain bare ownership of all its relevant Specific Issue Shares and shall be entitled to exercise its voting rights in respect of the Specific Issue Shares and shall be entitled to the distributions (as defined in the Companies Act) in respect of the Specific Issue Shares, subject to the rights of Capitec as secured creditor and the terms of the Loans.

EFFECTS OF THE SPECIFIC ISSUE AND LOANS

The purpose of the table below is to illustrate the unaudited *pro forma* financial effects of the Specific Issue and Loans on Capitec's basic earnings per Share, diluted earnings per Share, basic headline earnings per Share, diluted headline earnings per Share, net asset value per Share and net tangible

asset value per Share, based on the unaudited condensed consolidated financial results of Capitec for the 6 months ended 31 August 2021.

The *pro forma* financial effects have been prepared using accounting policies that comply with International Financial Reporting Standards and that are consistent with those applied in the published unaudited condensed consolidated interim financial statements of Capitec for the 6 months ended 31 August 2021.

The *pro forma* financial effects are the responsibility of Capitec's directors and were prepared for illustrative purposes only and, because of the *pro forma* nature, may not fairly present Capitec's financial position, changes in equity, results of operations or cash flows, nor the effect and impact of the Specific Issue and Loans going forward.

The *pro forma* financial effects on Capitec's basic earnings per Share, diluted earnings per Share, basic headline earnings per Share and diluted headline earnings per Share have been prepared on the assumption that the Specific Issue and Loans occurred with effect from 1 March 2021, while the *pro forma* financial effects on Capitec's net asset value per Share and net tangible asset value per Share have been prepared on the assumption that the Specific Issue and Loans occurred on 31 August 2021. The information presented below does not purport to be indicative of what the financial results would have been, had the Specific Issue and Loans been implemented on a different date.

The *pro forma* financial effects below assume that the Specific Issue Shares will be issued at an indicative Specific Issue Price of R1 074.50 per Share (applying the Discount to an assumed Opening Price of R2 149 per Share). The assumed number of Shares to be issued, being 465 333 Specific Issue Shares, is calculated by applying the abovementioned assumed Opening Price of R2 149 per Share (excluding the Discount) to the Aggregate Specific Issue Value of R1 000 000 000. As the Aggregate Specific Issue Value will not exceed R1 000 000 000, the difference between this assumed value of R2 149 per Share and the actual Opening Price will only impact on the actual number of Specific Issue Shares issued (capped at a maximum of 625 000 Shares) and the effect will therefore be limited solely to a change in the diluted earnings per Share and diluted headline earnings per Share disclosed below.

	Unaudited before the Specific Issue and Loans	Unaudited <i>pro forma</i> effects of the Specific Issue and Loans	Unaudited <i>pro forma</i> after the effect of the Specific Issue and Loans	% Change
Basic earnings per Share (cents) ⁽³⁾	3 387	(453)	2 934	(13.37%)
Diluted earnings per Share (cents) ⁽¹⁾⁽³⁾	3 383	(458)	2 925	(13.54%)
Basic headline earnings per Share (cents) ⁽³⁾	3 447	(452)	2 995	(13.11%)
Diluted headline earnings per Share (cents) ⁽¹⁾⁽³⁾	3 444	(458)	2 986	(13.30%)
Net asset value per Share (cents) ⁽²⁾	27 637	(3)	27 634	(0.01%)
Net Tangible Asset Value per Share (cents) ⁽²⁾	22 554	(3)	22 551	(0.01%)

Notes:

1. Should the maximum number of 625 000 Specific Issue Shares be issued, the diluted earnings per Share and the diluted headline earnings per Share will be 2 923 cents and 2 984 cents, respectively. The maximum number of 625 000 Specific Issue Shares implies a share price of R1 600 per Share.
2. The calculation of the net asset value per Share and tangible net asset value per Share is based on the number of Shares in issue at 31 August 2021. The Shares issued in terms of the Specific Issue are not considered as they are deemed unissued for accounting purposes.
3. The calculation of basic earnings and diluted earnings per Share are based on the weighted average number of shares for the 6-month period. The Shares issued in terms of the Specific Issue are not considered as they are deemed unissued for accounting purposes. For the purpose of calculating the impact of the Specific Issue on diluted earnings and diluted headline earnings per Share, the Shares issued in respect of the Specific Issue are accounted for as options for which the Treasury stock method provided for in IAS 33 *Earnings per share* is applied.

SHAREHOLDER APPROVAL AND CIRCULAR

In terms of paragraph 5.51(g) of the Listings Requirements, the Specific Issue requires the approval by way of an ordinary resolution (requiring at least a 75% majority of the votes cast in favour of such resolution) by all Capitec shareholders present or represented by proxy at the General Meeting, excluding Participating Employees.

A circular containing full details of the Specific Issue and a notice convening the General Meeting at which shareholders will be requested to approve the Specific Issue and accompanying resolutions, will be distributed in due course.

Stellenbosch
19 January 2022

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