



**CAPITEC**

# Parliamentary committee

20 March 2018



# Agenda

- Market opportunities in 2000
- Who is Capitec?
- Unsecured credit
- Who is Viceroy?
- Questions



# Market opportunities in 2000



# Market opportunities in 2000

- Banking the unbanked
- Complex banking offer
- Unsecured market – no dominant player



**Who is Capitec?**



# Who is Capitec? – business model

- Vision – to enable clients to improve their financial lives
- Fundamentals
  - Simplicity
  - Affordability
  - Accessibility
  - Personal Service
- Simplicity + Transparency = Control
- All clients treated equally – no income differentiation
- Minimum savings rates from 5.1%



# Who is Capitec? – short history

- 2000 - business plan developed
- 2001 - received banking licence
- 2002 - listed on JSE
- 2003 - call deposits / transactional banking
- 2007 - banking client focus
- 2008 - fixed deposits / domestic bond programme
- 2010 - online banking
- 2014 - banking app





# Who is Capitec? – Capitec now

9.2 million individual clients can: Save / Transact / Borrow / Insure

Client Base at 31 August 2017

<b>Total clients</b>	9.2 million
Primary (salary deposit) clients who save & transact	4.1 million
Secondary clients who save and transact	5.1 million

<b>Total clients</b>	9.2 million
Clients who borrow from Capitec	1.4 million*
Clients who do not borrow from Capitec	7.8 million

\* 70% of the clients who borrow from Capitec are also primary clients



# Who is Capitec? – Capitec now

**At 31 August 2017:**

Total assets	- R81 billion
Equity	- R17 billion
Client deposits	- R55 billion
Gross loans	- R47 billion
Branches	- 811
# Transactions Dec '17	- 295 million
Credit rating	- BB (same as SA sovereign)

1.5 million clients bank for free at Capitec (interest exceeds fees)

Employee total	- 13 532
Black employees	- 89%
Female employees	- 62%
Employees < 35 years	- 87%



# Who is Capitec?

Consistent approach, conservative accounting policies:

- Bank charges                      most affordable banking fees
- Credit                                price each client for their own risk
- Capital/liquidity                capital adequacy ratio of 34%
- Provisioning                        coverage ratio of loans in arrears of 220%



**Unsecured credit**



# South African credit market

- <2007                      Usury Act - loans <R10 000 and <36 months
- 2007                        NCA - capped interest rates and fees
  - affordability guidelines
  - opened term and Rand values
- 2010 – 2012              Strong market growth
- 2013 – 2014              Strong pull back, demise of a competitor
- 2015                        Interest rate reduction, affordability guidelines
- 2016                        Credit insurance
- Regulation more advanced compared to international market



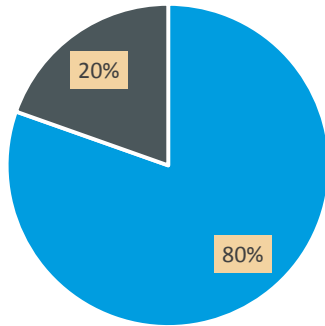
# How does Capitec grant credit?

- “BAS” model of behaviour, affordability and source
- Only to formally employed, salaried individuals
- System centrally controls credit granting model
- Credit granting model is dynamic and easily updated with economic variables



# Unsecured market players

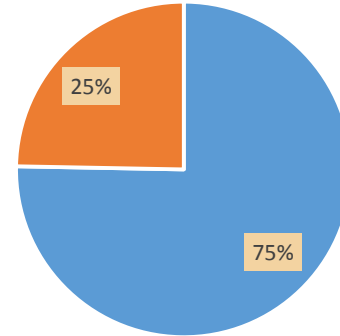
Total market - unsecured book - October 2017



Source: Credit bureau data

■ Banks ■ Non-banks

Banks - unsecured book - January 2018



Source: BA900 data

■ Other Banks ■ Capitec



**Who is Viceroy?**





# Who is Viceroy?

- Their website states they are “a group of individuals that see the world differently.”
- Started in 2016
- Press reports indicate the people are (a front):
  - Fraser Perring 44, British citizen
  - Gabriel Bernarde 23, Australian citizen
  - Aidan Lau 23, Australian citizen
- At least 3 hedge funds are involved with them
- No known or disclosed regulators



# Regulation - Capitec vs Viceroy

## Capitec

South African Reserve Bank “SARB”

National Credit Regulator “NCR”

Johannesburg Stock Exchange “JSE”

Financial Services Board “FSB”

South African Revenue Service “SARS”

Payments Association of South Africa “PASA”

Financial Intelligence Centre “FIC”

Statutory annual audits

## Viceroy

- Not regulated anywhere
- No disclosure as to structure
- No disclosure if the 3 individuals of Viceroy are registered with any regulator
- Do not disclose if they are audited

# Who are Viceroy attacking?

International

- 7 companies

South Africa

- Use Steinhoff report for credibility

- Capitec

- Other companies

"Viceroy's founder, Fraser Perring, tells Euromoney he has done further research, not yet made public, on South African firms in mining, pharmaceuticals and health care."

[@viceroyresearch](#)



# Detail of Viceroy's modus operandi

- Find high price/earning companies
- Short the stock before issuing a report
- Deal with media, do not engage management
- Regulators
- Employees/clients/suppliers – (offering payment)
- Board/audit committee
- Auditors
- Insists on independent investigation



# Viceroy allegations

- Rolling loans
- Rescheduled loans
- Provisioning insufficient
- Multi-loan product
- Other e.g. attempt to link to Steinhoff



# Viceroy impact

- Retail = products
- Banking = trust
- FSB



**Questions?**



The logo features the text 'bank live' in a bold, lowercase sans-serif font. A white smartphone icon is positioned behind the 'live' portion, tilted slightly to the right. Below 'bank' is the word 'better' in a smaller, lowercase sans-serif font. Below 'live' is the word 'better' in a red, lowercase sans-serif font. The background is a vibrant bokeh of colorful circles in shades of blue, purple, pink, red, orange, and yellow.

**bank live**  
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