

2. SOCIAL CONCERNS

2.1. Reckless lending: Providing 77% of clients in arrears with a rescheduled loan could potentially be seen as reckless and poses a real risk of attracting a hefty fine from the National Credit Regulator. Shareholders and not management would suffer, should such consequences materialise.

2.2. Profiteering on struggling clients: According to its own statement and policies, Capitec charges origination fees on each successful loan application. It follows from here then that a successful application for rescheduling would attract a loan origination fee which in turn puts struggling clients deeper into indebtedness than prior to rescheduling. This may be seen as profiteering on clients' miseries which should be condemned for being morally repugnant.


3. GOVERNANCE CONCERNS:

3.1. Impact on Executive remuneration: We are concerned that the rescheduling process has helped shore up the reported performance of the Executive. Given the above analysis, we believe that some of the Executive incentives were earned through morally repugnant means and excessive risk to shareholders' capital.

In consideration of the significance of the abovementioned concerns, we would appreciate your urgent response as we need to communicate our position to our clients by the 5th of February 2017.

Sincere regards

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