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sophistication

29 September 2009

For immediate release

CAPITEC BANK DEFIES MARKET TRENDS

Capitec Bank again achieved rapid growth in its client base, as evidenced by the bank's outstanding interim results announced today. In the current economic climate, with consumers being more cost conscious, over 480 000 new clients were attracted over the past 12 months to Capitec Bank's simplified, single solution to money management and its aggressive pricing offer.

While the banking industry in general is suffering reduced turnover, Capitec Bank's success is underlined by the bank exceeding the two million mark in the number of clients by August 2009 – an increase of more than 30% over the preceding twelve months.

CEO Riaan Stassen, when announcing the results, said that Capitec Bank's actions during 2008, in anticipation of the changing market conditions had delivered the expected results as far as client growth, transaction income and loan delinquency was concerned.

Headline earnings per share grew by 48% to 215 cents and an interim dividend of 55 cents per share, up from 30 cents in 2008, will be proposed.

Stassen said, "Even though we are operating in difficult economic conditions, Capitec Bank has a solid base from which to grow. The price sensitivity of consumers in recent times is resulting in thousands of clients choosing Capitec Bank above the traditional banks." Our transaction income has grown by 70% to R212 million.

Loans of R3.7 billion were granted in the last six months, an increase of 20% on the six month period to August 2008. This was the result of an increase in the number of loans

granted (indicating that the bank has an attractive product mix) and also, more importantly, an increase in the average loan amount – from R1 776 to R2 054.

Capitec Bank's medium to long term funding is mainly derived from wholesale contractual deposits, which increased to R2.2 billion. Additional funding was raised in the domestic medium term note programme and a further five-year loan of R150 million was obtained from the Norwegian Investment Fund for Developing Countries, continuing the bank's approach to increase its funding base via longer term contracted funding outside of South Africa.

A fixed-term savings plan launched in November 2008 has raised over R800 million and this product is now responsible for 27% of the fixed term funding.

The group's risk-weighted capital adequacy ratio is 36% and, at 31 August, the bank was in a position to repay all retail call savings deposits immediately. The bank follows a particularly conservative approach to funding and continues to seek primarily long term contractual relationships to secure funding for growth.

Capitec Bank's long-term and short-term national scale credit ratings from Moody's Investors Service have been kept unchanged at A2.za and P-1.za respectively. The outlook for both ratings remains stable, while many banks and organisations have been downgraded.

At the end of August, Capitec Bank had R1,5 billion in equity and R4,3 billion in assets, excluding cash.

Stassen added, "Net revenue of R1.2 billion from banking activities, comprising both loan revenue and transaction income, shows growth of 27% against a year ago.

"Operating expenditure grew by 26%, year-on-year," he said. "The growth in the loan book has led to significant increases in the resources required. A project is under way to centralise monitoring and collections. The benefit of the costs already incurred in this regard will manifest over time."

Default rates (bad debts) have improved. The total impairment on the loan book has grown by R45 million but, had the default rates stayed the same, the impairment would have grown by R70 million on the growth of the loan book alone.

Stassen said, "Given the deterioration in the economic climate, an improvement in the default rates is proof of the bank's lending discipline, indicating that our lending criteria are appropriate and our collection systems are working. Our adjustments last year in anticipation of the changing economic climate have delivered particularly good results under the conditions."

Capitec Bank appears to be well positioned to continue its spectacular growth path in the currently challenging economic environment, as well as in the improved conditions that economists are predicting. The growth rate will continue with the roll-out of the bank's branch network and increased advertising. The number of branches will break through the 400 mark in the current financial year, and the bank is aiming to continue its rate of client acquisition into the new year.

ENDS

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