

## **HIGHEST SHORT-TERM CREDIT RATING FOR CAPITEC BANK**

**14 MAY 2008**

### **BEGIN**

Capitec Bank's strengthened funding profile and ability to meet its short-term obligations have contributed to the upgrading of its short-term national scale credit rating to P-1.za by Moody's Investor Services. The Bank's long-term rating, which was upgrade a year ago, remains unchanged and has a stable outlook.

The upgrading puts the Bank on the same short-term rating level as the major corporate, retail and lending banks in South Africa, which reflects a superior ability to repay short-term debt obligations. The long-term rating reflects a good long-term credit quality.

Demand deposits (savings) at the Bank have increased significantly over the past year as growing client acceptance of the unique bank and savings offer has resulted in client growth of on average 45 000 per month.

In their statement, Moody's has recognised Capitec Bank's ability to cautiously manage its liquidity and funding over the past few years and that demand deposits are limited to funding short-term loan products not exceeding three months.

The Banks' adequate liquidity (21% of total assets) as at February 2008 and its ongoing efforts to diversify and lengthen its funding profile have further illustrated its ability to manage liquidity positively and cautiously.

CEO Riaan Stassen said that the ongoing growth in the number of clients across the income spectrum who have the need for simplified, affordable banking and

specifically loan funding delivered in real time, caused significant growth in the Bank's savings deposits and loan book. "We are expanding our product offer into longer-term loan products and this naturally causes our loan book to grow, which requires funding."

The growth in the banks balance sheet and particularly its loan book from R0.8 billion in February 2007 to R2.0 billion in February 2008 will necessitate continued efforts to diversify and lengthen its funding profile.

"Savings levels in South Africa are too low and we have aggressively addressed this market by offering a minimum of 10% interest on savings accounts regardless of the balance, coupled to the lowest fees available on a savings account in the market. This encourages savings activities by clients regardless of the funds they have available." Stassen said.

Capitec Bank furthermore reported during April 2008 that the South African Reserve Bank granted permission to implement the Alternative Standardised Approach (ASA) for the calculation of operational risk capital required under Basel II. This enables the bank to gear its balance sheet more effectively.

"The Moody's upgrade in the short-term rating, the approval of the capital adequacy approach, the raising of a foreign loan and the successful funds raised under the recently launched Domestic Medium Term Note programme are extremely positive. This gives Capitec Bank further access to funding to take the bank to the next level in its growth path." said Andre du Plessis, Financial Director.

Moody's is a leading international provider of independent credit ratings, research and financial information to capital markets and their National Scale Ratings are

intended as relative measures of creditworthiness among debt issues and issuers within a country, enabling market participants to better differentiate relative risks.

“Apart from the improved financial statistics, we continually improve our operational efficiencies, control framework, liquidity models and credit processes. This we believe is a significant contributor towards the improvement in the credit rating.” du Plessis concluded.

**END**

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**Enquiries:**

**1. Riaan Stassen**

Chief Executive Officer

Cell 082 800 9398

**2. André du Plessis**

Financial Director

Tel 021 809 5905

Cell 083 675 3340

E-mail:

[andreduplessis@capitecbank.co.za](mailto:andreduplessis@capitecbank.co.za)

**2. Yolandé van Rensburg**

Head: Communication and PR

Tel 021 809 5998

Cell 072 480 3617

E-mail: [yolandevanrensburg@capitecbank.co.za](mailto:yolandevanrensburg@capitecbank.co.za)