

**For immediate release**

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BEGINS

### **CAPITEC BANK DEFIES INDUSTRY WOES**

Capitec Bank's profits increased by 42% for the year ending 28 February 2009, in a time where the banking industry is known to be struggling.

CEO Riaan Stassen, when announcing the results, said that client growth has been the key driver of profit growth. The bank has been acquiring 40 000 new clients every month, increasing its active client base by 34% to over 1,8 million clients.

Headline earnings per share grew by 41% to 366 cents and a final dividend is proposed of 110 cents per share, up from 75 cents in 2008.

Stassen said, "The main reasons for the bank's continued growth and stability are the single focus on our market, the use of innovative technology to deliver simplified solutions and reduce costs, the select few products we offer and ensuring that we provide them well and efficiently. Our approach to funding which entails borrowing long and lending short and the management of arrears proactively. We also have plenty of capital on hand with a conservative approach to gearing."

The total value of loans granted increased by 22% to R6,3 billion. Sales of the three-year loan (launched October 2007) was the main contributor to the 48% growth in the loan book. The average value of a loan is currently R1 774.

The main source of funding for Capitec Bank used to be contracted wholesale deposits, but during the past year the funding approach broadened to include a medium-term Debt Note Programme (a listed three-year bond programme). This programme raised R490 million. Expanded retail deposits through a unique retail fixed deposit product has raised a remarkable R265 million in four months.

At year-end, Capitec Bank had R1,4 billion in equity and R3,5 billion in assets, excluding cash. The assets mainly consisted of loans to clients.

Stassen added, "The bank's biggest source of income is personal loans, without security. However, the banking activities of our growing client base have increased net transaction income by 75% to R138 million for 2008/9.

"Our conservative approach to gearing has helped us weather the present crisis comfortably. This bank was founded during the small bank crisis in 2001 and has always been structured conservatively. A higher return on capital is possible at higher levels of gearing, but such an approach will be accompanied by increased funding risk which we prefer to avoid. Our large capital base has given us stability in these times of turmoil," Stassen concluded.

Operating expenses grew by 40% over 2008. The bank increased its distribution footprint by opening 32 new branches countrywide, as well as the introduction of Internet banking and SMS Update. The uptake

of these services has been exceptional with more than 60 000 clients signing up each month for SMS Update – the automatic SMS messaging for debits or credits on accounts.

High sales of term-loan products have resulted in the loan book increasing by 48% on 2008 to R3 billion. Net bad debts (after taking recoveries into account) grew by 103% from R231 million to R468 million. R206 million of the growth in bad debts is attributable to growth in the loan book and R76 million due to increased default rates. This was offset by R18 million due to improved data history and R16 million due to the valuation placed on handed over loans.

Stassen said, “Our bad debt ratio is influenced by the economic conditions and we do expect this to have some impact in the months ahead. Bad debts are managed with a conservative but realistic approach, and the bank has tightened its lending criteria during 2008 in an effort to minimise bad debt. This also included channelling more risky clients to the shorter term products.

“We continue to use innovation to meet the needs of the market by providing accessible and convenient everyday transactional banking at the lowest cost available in the market. We were therefore grateful when in a recent review, RE:CM concluded that over the past 15 to 20 years there have been only five ‘true’ entrepreneurs listed on the JSE. Capitec Bank was one of them.

“We are confident that the 2010 financial year will be another one of growth and success. Despite the industry’s liquidity concerns, Capitec Bank has been able to get all the financing it requires and, judging by the initial success of the retail fixed term deposit product, no real difficulties are foreseen. We have the management and the strategy to prosper. We are confident that client numbers will continue to grow.”

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