



IDC FINANCES BEE CONSORTIUM'S DEAL WITH CAPITEC BANK

For immediate release

Thursday 22 February 2007

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The Industrial Development Corporation of South Africa Limited (IDC) and Capitec Bank Holdings (Capitec) today announced the finalisation of the financing of a Black Economic Empowerment transaction to the value of R285 million. The agreement allowed the consortium to conclude the transaction with Capitec in terms of which the bank issued 10 million shares at R30 per share to the consortium.

Katinka Schumann-Bester, the IDC's Executive Vice-President of Services, said: "One of the IDC's core strategies is to identify and support opportunities not yet addressed by the market. Capitec Bank makes banking services affordable and accessible to the broad base of the population. A bank account affords one better management of personal finances, and combined with access to finance is a starting point for sustainable economic growth in South Africa."

"The IDC has assessed the unique business model that underpins Capitec Bank's operations. We feel comfortable that financing this BEE transaction will support the delivery of affordable and accessible banking services to a bigger market by unlocking the capital that Capitec Bank requires for the expansion of its infrastructure."

According to Kugan Thaver, head of the IDC's Transportation, Financial Services and Other Strategic Business Unit, "This transaction is a reflection of the confidence that the IDC is placing in Capitec Bank's banking model and in their ability to provide affordable and accessible banking services to South Africans. All three parties – the IDC, Capitec Bank and the BEE consortium – have committed themselves to the economic empowerment of the South African population, hence the IDC's natural fit as a finance partner in this transaction."

Riaan Stassen, Capitec Bank's Chief Executive Officer said: "We will utilise the proceeds from the share issue to accelerate the expansion of the bank's infrastructure during 2007. We want to increase our footprint by opening more branches and by extending our product offering."

"This agreement strengthens the black economic empowerment shareholding of the group to 16% and increases compliance with the Financial Sector Charter and the Department of Trade and Industry's Codes of Good Practice on Black Economic Empowerment ("the Codes")."

The broad-based BEE consortium, to which the 10 million shares were issued, is headed by Litha Nyhonyha from Regiments Capital and advised by Blessing Rugara, Managing Director of Circle Capital Global. The consortium consists of black companies and trusts that are represented by prominent business people, individuals, as well as the Capitec Bank Share Empowerment Trust, which owns 5% in the consortium.

The share issue gives the consortium an interest of 12.21% in Capitec. The consortium will hold its interest in Capitec through a private company incorporated in South Africa. This company complies with the definitions of the Codes. The IDC's finance amounts to R285 million or 95% of the price funded by means of a preference share agreement with this company. Capitec does not provide any security for redemption of these preference shares.

"We are excited to join the Capitec family. We as the consortium bring an intimate understanding of the market which will enhance and propel the creative approach thus far shown by Capitec. The participation of the IDC is a further demonstration of their readiness to deepen development, facilitate entry of new participants in the financial service sector and to grow the opportunities for job creation," said Nyhonyha.

Stassen said that it is important for the company to have its employees as co-owners of the bank. Participation in the consortium, together with an incentive scheme offered by the bank to employees to purchase shares in the company, will accomplish this.

Stassen concluded, "We are pleased that this transaction has been finalised and that the partnership has been established. We believe this partnership with the BEE consortium not only provides us with additional financial resources but we also stand to benefit from the extensive business relations they hold."

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Issued jointly by Capitec Bank and IDC

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