

CAPITEC BANK STILL OUT TO REVOLUTIONISE BANKING

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BEGINS

The client growth and market expansion Capitec Bank achieved due to its innovative business model made for a satisfying report-back to shareholders and other stakeholders at the 2007 annual general meeting (AGM) of South Africa's youngest retail bank, which focuses on accessible and affordable banking.

Capitec Bank had a pleasing set of results to report on, including growth in its client base to over a million, strong growth of 38% in headline earnings and headline earnings per share growth of 35%.

Apart from that, the bank was able to outline its commitment to investing in the further expansion of its people through innovative and effective training methods and its readiness for the final implementation of the National Credit Act on 1 June 2007.

New chairman

Michiel le Roux, the new chairman of Capitec Bank Holdings and Capitec Bank Limited (the Capitec Bank Group), opened the AGM. He was one of the bank's co-founders and its first chief executive officer and took over as chairman from Jannie Mouton on 1 April 2007. Mouton remains a non-executive director of the Capitec Bank Group.

The appointment of Le Roux as chairman has always been part of the Capitec Group's strategy. This could not take place due to the King II requirement of a three-year cooling off period before a former chief executive officer may assume the chairmanship of the same company.

Le Roux said: "I look forward to working with a dynamic, innovative, and certainly the most focused management team in South Africa. Capitec Bank remains committed to changing the nature of banking in this country."

Ready for NCA's final implementation

During his address to shareholders attending the AGM, Riaan Stassen, CEO of Capitec Bank, said he was pleased to announce that Capitec Bank is prepared for the implementation of the final phase of the National Credit Act (NCA) on 1 June this year. He confirmed that the bank has already adjusted its pricing in line with the requirements of the NCA and fully supports increased transparency in lending, which the NCA addresses.

Capitec Bank has recently launched a new front end consulting model that promotes excellent customer service by guiding consultants in the sales process. Credit scoring takes place online, in real time and combined with affordability evaluation, provides the consultant with an immediate answer as to what credit options the bank is able to offer a specific client. Consultants can therefore empower clients by giving them options for decision-making. The system supports the bank's client service focus and underpins central control and monitoring, which ensures cost efficiency.

Capitec Bank has also developed a financial skills programme for client use, which consists of video-based learning modules of 15 to 20 minutes, and addresses financial life skills such as financial planning, debt management, budgeting and what to consider when choosing a bank.

"The programme is based on an NQF-accredited short course that was designed in conjunction with Unisa and is presented to client and community groups free of charge," Stassen said.

More infrastructure

By offering clients an easy and affordable way to transact and by increasing its transacting footprint by 65 more branches and 300 more ATMs, the bank hopes to encourage clients to withdraw money only when they need to. "It is common for clients to withdraw most of their salary in a single ATM transaction and incur the risks of carrying cash," said Stassen.

Capitec Bank aims to change this behaviour by making banking more accessible to its clients, encouraging savings and improving safety. It is already showing significant success in this regard, as card transactions have grown exponentially over the past three years. Capitec Bank believes that this behavioural change is partly because of its incentive of zero fees for debit card purchases.

The R300 million in capital raised through Capitec Bank's BEE deal during February 2007, together with retained earnings and its first preference share issue, saw the bank's shareholder funds jump to R1,1 billion by end February. This funding will be used to expand the bank's distribution network in 2007.

The planned expansion of branches and ATMs for this year will result in a service infrastructure of 345 branches and over 700 ATMs by February 2008.

One hundred additional balance card readers will be placed at retailers to encourage card transacting and not cash, as a means of payment. The further expansion of the banks point-of-sale transacting network at retailers will also enhance this wider level of card driven access to transacting services for Capitec Bank's clients.

The bank's mobile banking facilities will be expanded to 100 units by year-end, offering clients more access to banking products and services at their place of work.

Investment in people

Capitec Bank's approach is to recruit for potential and train for skill. At the AGM presentation, it was pointed out that Capitec bank spent 10% of its operational salary bill on training. In the 2006/7 financial year, 1883 employees attended its training courses at a cost of R15 million. R51 million has been spent on people development in the past three years.

This commitment to investing in people and their skills was reconfirmed for 2007/2008. On 1 March this year, Capitec Bank introduced a revolutionary e-learning programme, which supports the ongoing development of its employees.

Staff are now able to sign on for training at their workstations and the trainer is able to track what they are doing and assist and mentor them in real time. The e-village automatically prompts staff when new learning is assigned, when learning content has been changed or rescheduled, when an e-learning activity has been completed and when an assignment is overdue.

"This system makes it easy for us to bring training to our staff impactfully, quickly and cost-effectively, at their workstations. It also allows us to measure the skill transfer levels. The coaching capabilities of this system also provide the manager with the opportunity to provide immediate feedback and direction if necessary," Stassen said.

He also pointed out that 20 660 learning activities have been completed successfully on the system over the past two months.

Prospects

At the AGM, Capitec Bank confirmed that it would be building awareness in the marketplace this year and intends spending over R20 million on television and print communication to convey its unique positioning and product offering to the market.

Stassen said: “We have confidence in Capitec Bank’s business model to the extent that we believe we can be aggressive in the execution of our expansion plans in the forthcoming year.

“However, Capitec Bank is thoroughly aware of the uncertainties brought about by the changing regulatory environment and our competitors’ possible reaction to this. We will therefore monitor market conditions closely.”

He concluded: “The increased investment in infrastructure and the prescribed maximum pricing levels on lending mean we have budgeted for a modest increase in income during the next year. Our ambition however, remains to revolutionise banking in and beyond South Africa.”

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Enquiries

Riaan Stassen

CEO: Capitec Bank

Telephone: 021 809 5921

Fax: 021 880 1794

Cell: 082 800 9398

e-Mail: riaanstassen@capitecbank.co.za

Yolandé van Rensburg

Head: Communication and PR, Capitec Bank

Telephone: 021 809 5998

Cell: 072 480 3617

e-Mail: yolandevanrensburg@capitecbank.co.za