

NEWS RELEASE
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CAPITEC BANK CONTINUES TO MAKE BANKING MORE ACCESSIBLE

STELLENBOSCH – Over the past year, Capitec Bank, the bank that focuses on providing affordable, accessible and simplified banking to individuals, has expanded its unique, low-cost bank offering to the market via branch extensions, product expansion and service delivery at retailers.

The bank has identified limited access, the cash dependency of clients, lack of returns on savings, high transaction costs, complexity of the bank product offer and limited access to finance as the main stumbling blocks in the provision of banking to clients, explained CEO Riaan Stassen at the Capitec Bank AGM held at Spier Wine Estate near Stellenbosch. Capitec Bank has designed an innovative banking platform, supported by an open and accessible branch environment to address all these issues, Stassen added.

Stassen explained that the bank offered clients a single product called the *Global One Banking Facility*. Through this facility, the client can gain access to savings accounts, personal loans, cash withdrawals, debit orders, transfers, debit card transactions and a funeral plan without opening another account. This comprehensive facility is offered to all clients at the same price, regardless of income level. Employers can use Capitec Bank's internet banking platform to transfer salaries and wages into these facilities. This leads to lower costs and less administration, while simplifying procedures for the client.

Capitec Bank has 253 branches countrywide and plans to add another 50 during this year. To bring banking as close as possible to its clients, these branches are situated near main commuter routes, shopping centres and in most rural towns. Capitec Bank has also entered into agreements with Checkers, Shoprite and Pick 'n Pay, where clients can withdraw cash at cashier points using their debit cards. These cash withdrawals cost 75 cents per transaction. Capitec Bank further encourages clients to do cashless transacting, for their own safety, by charging no service or transaction fees on debit card purchases.

Stassen elaborated on the bank's annual results, saying he was once again pleased with the performance for the year, given that the bank was still in a development and investment phase. The increase in headline earnings to R116 million was primarily due to an increased client base and the introduction of longer-term loans. A dividend of 45 cents per share will be paid to shareholders on 12 June 2006.

The value of loans advanced increased from R2,3 billion to R2,9 billion in 2006. The number of savings clients increased significantly from 143 000 to 375 000 due to the attractive offer of 10% interest on daily balances up to R10 000.

“Total expenditure increased by 29% in 2006 compared to 2005 as we are still building the organisation. Our advanced technology platform enables us to provide banking services at a fraction of the cost of traditional banking. This is what really enables us to provide our clients with low-cost banking services. Total cost as a percentage of income declined from 73% in 2005 to 66% in 2006,” Stassen said.

Stassen also commented on the challenges facing the banking sector in the coming year. While fraud and crime remain elements of concern, Stassen also touched on the effect of the newly proposed National Credit Act. “We expect the new Act and regulations not to be implemented immediately. It will therefore have a modest impact on the new financial year, but will obviously be crucial for the future of the bank. We continue to support the purpose of the Act, which is to address transparency, misrepresentation and over-indebtedness. We are, however, opposed to the concept of price regulation.”

The cash dependency of clients, especially over month-end, remains challenging. In addition, Capitec Bank is constantly seeking new ways to drive electronic banking via new and innovative channels to ensure convenience and security for its clients when transacting.

“Capitec Bank will now focus on the extension of its current client base. An Employer Sales Team has been appointed, which will focus on recruiting new clients via employers. This is part of our drive to take the bank to our clients,” said Stassen.

Stassen is optimistic about Capitec Bank's prospects. “In the new financial year, investment in sales and advertising will increase substantially to double the number of clients who deposit their salaries with us. We will continue with our drive to make banking more accessible through the expansion of our branch and distribution platforms and by implementing innovative solutions. We believe we are creating a business model with international potential.”

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