

PRESS RELEASE FOR IMMEDIATE PUBLICATION

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BEGINNING

CAPITEC BANK CONFIDENT THAT GROWTH WILL CONTINUE

STELLENBOSCH – Capitec Bank, which focuses on accessible and affordable banking as South Africa's youngest retail bank, today announced that its client base has grown to over a million clients and that it showed strong growth of 38 per cent in headline earnings. Its headline earnings increased from R116 million in 2006 to R160 million for the financial year ended February 2007, and its headline earnings per share grew by 35% from 165 cents to 222 cents.

Attributable earnings increased from R115 million in 2006 to R159 million in 2007, making this the fourth consecutive year that the bank has achieved earnings growth of at least 35 percent.

"These results bear testimony to the fact that we are delivering on our promise of affordable and accessible banking," said Riaan Stassen, CEO of Capitec Bank.

"Due to our attractive offer of 10% interest on savings balances, we have acquired nearly a thousand new savings clients per day, growing our total number of savings clients from 375 000 to 583 000 by February 2007. The 43% growth in active clients to over one million reflects the market's need for real return on savings and Capitec Bank's attractively priced banking services," Stassen said.

The balance on deposits has grown from R314 million in February 2006 to R554 million by February 2007.

Sales and Operations

The bank said that the expansion of its branch network by an additional 29 new branches instead of the 50 that were originally planned was due to the recent boom in retail activity. Increased demand and higher prices had made it more difficult to obtain appropriate sites, especially in rural areas. However, Stassen said he was pleased with the level of investment being made in many rural areas, which now provided the bank with site options not previously available.

Stassen added that the bank had expanded its ATM network in partnership with two independent service providers, increasing its ATM numbers from 210 in 2006 to over 400 in February 2007.

The bank reported that profit earned for the financial year was primarily through income of R1 billion from lending and income of R94 million from bank fees. As many South Africans still lack access to funding, personal loans remain the main source of earnings for the bank. The value of loans advanced increased from R2.8 billion to R3.4 billion in 2007. "We granted a total of 2,9 million loans with an average size of R1 180. The majority of the growth has been derived from longer-term loans offered in the latter part of 2006, increasing our net loan book from R455 million in 2006 to R803 million by end February 2007," Stassen stated.

The impact of new National Credit Act

Stassen said that although the bank supports increased transparency in lending, which the act was addressing, price capping and the complicated formulae for loan pricing prescribed by the act would compromise the simplicity of its current pricing offer to clients. He added that the bank had already adjusted its prices to be in line with the requirements of the act and confirmed that Capitec Bank does not support the principles of price capping as research worldwide had discredited this form of regulatory control.

By offering clients an easy and affordable way to transact and by increasing its transacting footprint the bank hopes to encourage clients to withdraw money only when they need to. "It is common for clients in the lower LSM categories to withdraw their entire salary in a single ATM transaction. We want to encourage savings and improve safety for clients," Stassen said. He added that card transactions had grown exponentially over the past five years. The bank believes that this behavioural change can be attributed to its incentive of zero debit card purchase fees and the market's increasing confidence in card technology.

BEE compliance

The R300 million in capital raised through a BEE deal in terms of which Capitec Bank Holdings issued 10 million new shares at R30 each to a consortium of black companies, trusts and individuals, together with retained earnings and Capitec's first preference share issue saw the bank's shareholders' funds jump from R564 million last year to R1,1 billion.

Stassen said that this funding would be used to expand the bank's distribution network in 2007. He added that it would be a challenge to match the 26% return on equity the bank had achieved in 2006/7 as a result of this significant capital injection. "Our experience is that new branches tend to deliver a real return only nine to twelve months after opening their doors."

Investing in its people

"Our approach is to recruit for potential and train for skill. Employing the right people in the banking industry is not easy. Systems, controls and procedures are rigid and demand a high level of training before staff can be fully operational," said Stassen.

During the past year the bank has spent 10% of its operational salary bill on training. A total of 1883 employees attended its training courses at a cost of R15 million. "In 2007, we will continue to invest in our employees. On the 1st of March, we introduced an e-learning programme which supports the ongoing development of employees on-line in a revolutionary way." Stassen added that the system also allows for ongoing monitoring of learner progress and therefore facilitated mentoring where required.

Prospects

"We believe that we are at a stage in our overall product and service offering which warrants building awareness in the market place," Stassen said. The bank intends spending over R20 million on television and print communication to convey its unique positioning and product offering to the market.

"We will continue to expand our product portfolio, distribution channels and branch platform. Our distribution platform will be expanded by a further 65 branches and 300 ATMs, resulting in a service infrastructure of 345 branches and over 700 ATMs by February 2008. One hundred additional balance card readers and an expanded point-of-sale transacting network at retailers will further enhance this wider level of access to transacting services for our clients. Our mobile banking facilities will also be expanded to 100 units by year-end to support clients by enabling them to access banking products and services at their place of work," Stassen said.

The bank concluded that the confidence in its business model means that it can afford to be aggressive in the execution of its expansion plans.

“As uncertainties regarding the reaction of competitors to the changing regulatory environment exist, we will however remain careful in the planning of the expansion,” Stassen added.

“This investment in infrastructure together with the prescription of maximum pricing levels on lending has resulted in us budgeting for lower growth in income during the next year. Capitec Bank continues to pursue its ambition to revolutionise banking in and beyond South Africa,” Stassen concluded.

END

Issued by Capitec Bank Limited

ENQUIRIES

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