

PRESS RELEASE FOR IMMEDIATE PUBLICATION

29 March 2006

BEGINNING

CAPITEC BANK POSTS PROFIT GROWTH OF 67%

Stellenbosch – Capitec Bank, South Africa's newest retail bank that focuses on accessible and affordable banking, today announced significant growth of 67% in headline earnings from R70 million in 2005 to R116 million for the financial year ended February 2006. Headline earnings per share grew by 64% from 101 cents to 165 cents.

Attributable earnings increased from R67 million in 2005 to R115 million in 2006, making this the third consecutive year that the bank has achieved earnings growth of more than 50%.

Return on shareholder's equity increased to 23% from the 16% recorded for the comparative period last year.

Riaan Stassen, CEO of Capitec Bank, said that he was pleased with the performance for the year, given that the bank was still in a development and investment phase. The increase in profit was primarily due to an increased client base and the introduction of longer term loans.

The value of loans advanced increased from R2.3 billion to R2.9 billion in 2006, whilst the number of branches grew by only two to 253 by year end. "What is particularly encouraging is the growth in the number of savings clients from 143 000 to 375 000", Stassen said. "It reflects the level of confidence that Capitec Bank is building amongst clients in the market. This was achieved on the back of minimal marketing investment for the year."

"Our affordable fees and attractive savings offer of 10% interest per annum are proving to be successful as many clients today only have a need for accessible and simplified banking that provides basic transacting functionality," Stassen added.

"We have continued consolidating, repositioning and upgrading our branches during 2005/6 and we believe we now have a branch network which is ideally placed to effectively address the market. This branch network, in conjunction with the agreements we have with Checkers, Shoprite and Pick 'n Pay for cash withdrawals by our clients, provides an accessible, low-cost platform for our clients. Capitec Bank will continue to expand this network by a further 50 branches in 2006, particularly in remote areas where bank accessibility is limited," Stassen said.

In January 2006, Capitec Bank obtained national investment grade ratings of Baa1.za (long term) and Prime-2.za (short term) from Moody's Investor Services, an international rating agency. "This is satisfactory for a first-time rating as we are still a small and young organisation in relation to our main competitors. This will definitely have a positive influence on the cost of and access to funding in the future," said Stassen.

"The introduction of 6-month and 12-month term loans during the latter part of 2005 increased the monthly value of loans disbursed. However, it also increased the provision for bad debts and the need to closely manage repayments during the life of the term loan," Stassen said.

"Capitec Bank has extensive experience in short-term lending. However, managing longer term loans is more complicated. We therefore track the repayment history of each month's loans as a separate tranche and provide for expected write-offs. If actual payment performance of a monthly tranche deviates from expected levels, we immediately adjust the provisions

accordingly,” said Stassen. Net impairments as a percentage of repayments for the year increased from 1.45% in 2005 to 2.85% in 2006.

At year end Capitec Bank had R582 million in cash on hand, reflecting that more cash was held than the level of retail deposits. The bank was therefore in a position to repay all savings clients immediately if required to do so. “We will remain conservative in spending money and cautious in ensuring the bank is always well funded,” Stassen said.

“Total expenditure increased by 29% in 2006 compared to 2005 as we are still building the organisation. We are investing heavily in our branches, ATM network, systems and the training of our staff. This trend will continue in the new financial year and investment in sales and marketing will also grow significantly. Our business model focuses on being low cost and technology driven. We are gearing for high volume and high levels of efficiency to provide quality service to a large client base,” Stassen added. Total costs as a percentage of income declined from 73% in 2005 to 66% in 2006.

Capitec Bank currently employs 1 901 people and over the past year spent R18 million on training which is 10% of the bank’s salary bill. Stassen said the bank placed enormous emphasis on the quality of service to clients and has therefore designed a customised training programme to be able to recruit staff from local communities and develop them into competent bankers in a short space of time. This also addresses local language requirements, particularly in remote areas.

“We are budgeting for a 20% increase in headline earnings per share in 2006/7. The effect of the newly proposed National Credit Act is not fully known at this stage as the regulations have not been finalised. 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," Stassen said.

"We believe that we are creating a business model with international potential. After five years our foundations in South Africa are well laid and we have started looking at the potential in other countries."

Stassen is optimistic about the 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. There is a huge demand for affordable, accessible and simplified banking in the market and current client take on suggests that our offer is addressing market needs."

END

Issued by Capitec Bank Limited

ENQUIRIES

Riaan Stassen

Tel: 021 809 5921

E-mail: riaanstassen@capitecbank.co.za

Yolandé van Rensburg

Capitec Bank

Tel: 021 809 5998

Cell: 072 480 3617

E-mail: yolandevanrensburg@capitecbank.co.za