

## NEWS RELEASE FOR IMMEDIATE PUBLICATION

BEGINNING

### **CAPITEC BANK POISED FOR FURTHER CLIENT GROWTH**

Stellenbosch – Capitec Bank today announced a 78% increase in headline earnings per share in its unaudited financial results for the six months ended 31 August 2006. The bank's headline earnings increased from R41 million in August 2005 to R74 million in August 2006.

Attributable earnings increased by 79% to R73,6 million and the return on shareholder's equity increased to 26% from the 17% recorded for the comparative period last year. The bank's total assets amounted to R1 683 million against R937 million in August 2005. Total equity increased from R480 million to R747 million, with the recent perpetual preference share issue contributing R155 million of the increase. An interim dividend of 20 cent has been declared.

Loans advanced in the six-month period increased from R1,3 billion in 2005 to R1,6 billion in 2006. This was largely owing to significant client growth of approximately 25 000 new clients per month, the growth in six- and 12-month loans and the expansion of the distribution platform.

“We have increased our network to 267 branches during the six months to August 2006,” said Riaan Stassen, CEO of the JSE-listed Capitec Bank. “Good retail space remains scarce and we have learnt the importance of locating our branches conveniently for our clients. This has slightly delayed our roll-out plan, but we expect to have more than 290 branches by the end of February 2007.” Capitec Bank employs 2 000 people.

Stassen attributes the affordability of the bank's fees and the accessibility of its services to innovative technology and says that they have recently also introduced 60 mobile banks. “These mobile banks enable us to take banking to our clients' place of

work. By combining a laptop with 3G communication, a card reader, a fingerprint scanner and a web camera we can do all non-cash transactions at a place and time that suits our clients and their employers – such as opening accounts, issuing and replacing debit cards, dealing with account enquiries, printing bank statements and activating loans. This, combined with our inexpensive internet-based salary transfer facility, will drive client growth through employer sales. We soon expect to have more than a million active clients.

"We believe in providing our clients with a one-stop financial solution for saving, transacting and borrowing. This is important to ensure a successful long-term relationship."

The bank offers unsecured personal loans with a loan period of between one and 12 months. It will be introducing 18- and 24-month loan products in the near future. Arrears and provisioning for bad debt has increased from 2,85% in February 2006 to 4,07% in August 2006. This was primarily owing to the growth of six- and 12-month loans, which have higher default rates than one-and three-month loans.

"Although the recovery of the short-term loans for the first half of 2007 has deteriorated slightly, we are satisfied with the performance, which is still well within our risk appetite.

"The term of our loan book has continued to increase after the introduction of six- and 12-month loans during the latter half of the 2006 financial year. Our provisioning policy is conservative and although we have adequate expertise, we do not have extensive historical statistics since rolling out these longer term loan products," explained Stassen.

"We are pleased with the successful perpetual preference share issue at 75% of prime in August, which raised R155 million (net of expenses). Our capital base of R747 million will be used for possible international expansion, infrastructure and branch expansion locally, and to increase the bank's capacity for book growth."

Stassen said Capitec Bank supported the objectives of the National Credit Act and believed that credit should be provided to the market in a simplified and unambiguous way. "However, the regulations of the new Act do not necessarily support this and create a significant administrative burden. This has forced us to divert the attention of systems development staff to deal with these change requirements at the cost of innovation on product and service delivery.

"In line with our ongoing policy of driving prices down, we will adjust prices on our loan products during the second half of the financial year. At the same time, we will apply a revised pricing format, which is in accordance with the new Credit Act. Longer-term products will be offered to clients based on scorecard and affordability tests. This will further enable us to drive prices down."

Stassen is optimistic about the bank's prospects. "We will continue to drive sales through employers and will increase our advertising spend to build awareness of the Capitec Bank brand. In addition, we believe that the need for accessible, affordable, simplified and personalised banking is not limited to South Africa. We believe our business model, with a few minor changes, is exportable."

ENDS

Issued by Communication and Public Relations, Capitec Bank Limited

Enquiries

**Riaan Stassen**

Telephone: 021 809 5921

e-Mail: [riaanstassen@capitecbank.co.za](mailto:riaanstassen@capitecbank.co.za)

**Yolandé van Rensburg**

Capitec Bank

Telephone: 021 809 5998

Cell: 072 480 3617

e-Mail: [yolandevanrensburg@capitecbank.co.za](mailto:yolandevanrensburg@capitecbank.co.za)

10 Quantum Road  
Techno Park  
Stellenbosch 7600

P O Box 12451  
Die Boord  
Stellenbosch 7613