

↑ 64% **Headline earnings per share**

↑ 50% **Proposed dividend per share**

23% **ROE**

375 000 **Number of savings accounts**

253 **Total bank branches**

Moody's investment grade rating
Baa1.za/Prime-2.za

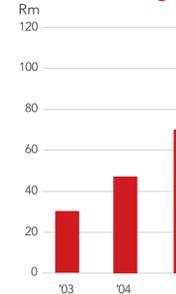
Extracts from the audited financial statements for the year ended 28 February 2006

	February 2006	February 2005	Change %	February 2004
Sales				
Loans				
• Value of loans advanced	Rm 2 863	2 259	27	1 904
• Number of loans advanced	'000 2 650	2 486	7	2 617
• Average loan amount	R 1 080	909	19	728
• Interest from loans advanced	Rm 768	534	44	393
• Net loan impairment expense	Rm 96	39	146	29
• Net impairment % of repayments	% 2,85	1,45	97	1,43
Deposits				
• Number of savings clients	'000 375	143	162	18
• Value of savings deposits	Rm 314	74	324	4
• Net fee income	Rm 15	4	275	-
Profitability				
• Attributable earnings	Rm 115	67	71	45
• Headline earnings	Rm 116	70	67	47
• Total expenditure	Rm 506	392	29	307
• Cost-to-income ratio – banking activities	% 66	73	(10)	76
• Return on equity	% 23	16	44	12
Earnings per share				
• Attributable	Cents 163	98	67	67
• Headline	Cents 165	101	64	70
• Diluted attributable	Cents 155	92	69	63
• Diluted headline	Cents 156	95	65	65
Proposed dividend per share	Cents 45	30	50	20

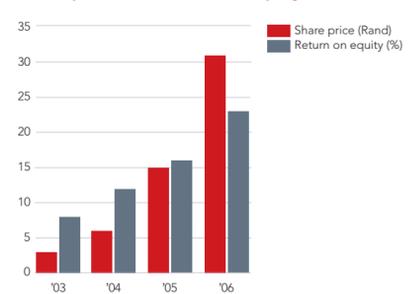
	February 2006	February 2005	Change %	February 2004
Assets				
• Total assets	Rm 1 251	805	55	512
• Net loans and advances	Rm 455	208	119	135
• Cash and cash equivalents	Rm 582	363	60	160
• Capital expenditure	Rm 72	84	(14)	44
Liabilities				
• Total liabilities	Rm 687	332	107	86
• Deposits	Rm 595	281	112	49
Equity				
• Shareholders' funds	Rm 564	473	19	426
• Capital adequacy ratio	% 56	84	(33)	98
• Net asset value per share	Cents 784	672	17	619
• Share price at 28 February	Cents 3 105	1 490	108	580
• Market capitalisation at 28 February	Rm 2 233	1 072	108	399
• Number of share options outstanding	'000 5 841	6 753	(14)	7 860
• Average share option strike price	Cents 648	271	139	153
• Average share option time to maturity	Months 28	25	12	22
• Charge on settlement of share options	Rm 31	16	94	2
Number of shares				
• At year end	'000 71 928	70 442	2	68 743
• Weighted average	'000 70 555	68 860	2	67 028
• Diluted weighted average	'000 74 534	73 536	1	71 868
Operations				
• Number of branches	253	251	1	265
• Number of employees	1 901	1 708	11	1 402
• Number of ATMs	210	180	17	75

FINANCIAL RESULTS 2006

Headline earnings



Share price and return on equity



Share certificates may not be dematerialised or rematerialised between Monday, 5 June 2006 and Friday, 9 June 2006, both days inclusive.

Do affordable bank products exist?

The mass market is the market for basic, affordable bank products. Our savings accounts have the lowest cost and pay the highest interest rates in South Africa. An ATM with drawal costs only R2, and we pay 10% interest on savings accounts with balances up to R10 000. We are the only bank that offers the small investor more interest than the big investor. Our international gold card, which carries the Maestro mark from MasterCard, gives our clients access to all South African ATMs and can be used for purchases and cash withdrawals at all major retail groups in South Africa. We don't offer foreign currency or cheque accounts, although our cards operate internationally and we accept cheques as deposits. At Capitec Bank a debit order costs only R2. We have few products, but those we have are the best and cheapest of their kind.

The scourge of a bank: bad debts

We have extensive experience of short-term loans. When we make a one or three month loan, we make a provision for the expected loss over the term of that loan: 1,2% for one month and 2,6% for three month loans. This rate is adjusted from time to time to accurately reflect our actual experience. All arrears are provided for and all short-term debt older than 90 days is written off.

Managing the six and twelve month loans is more complicated. We track the repayment history of each type of loan separately for each month and provide for expected write-offs. If the actual payment performance of a particular loan category for a given month deviates from the expected performance, we immediately increase (or, in the case of good news, decrease) the provisions for that loan category. These products are less than a year old and our expected repayment rates are based on industry norms, adjusted for our initial experience. The biggest number of defaults occurs in the early stages of a longer term loan, so the provision against our term loans is large. We expect the payment performance of term loans to improve as we gain more experience in managing them.

National investment grade rating

The bank has been assigned Baa1.za/Prime-2.za national scale issuer ratings by Moody's Investors Service.

Another good year ahead?

The National Credit Act was passed by parliament during the year. The act regulates the consumer lending industry, requires registration of lenders and proposes sensible ways of protecting borrowers, such as transparency of terms. It also empowers the minister of trade and industry to issue regulations limiting lending rates. We support the principles of the act, but are apposed to price caps in a competitive market. We have been a leader in reducing the high rates charged to borrowers. The solution to high rates is a reduction in the high cost of making small loans, which we achieve through technology and increased throughput. We are in discussion with the department to try and ensure that the new regulations are realistic and not utopian. We expect the new act and regulations not to be implemented immediately. They will therefore probably have a modest impact on the new financial year, but will obviously be crucial for the future of the bank.

In the new financial year we will be launching a campaign to double the number of clients who deposit their salaries with us. A mobile sales force has been set up to visit employers and enrol clients at their place of employment. We are also planning to add about 50 new outlets. As always, we remain careful in planning and aggressive in execution.

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

We budget for an increase in headline earnings per share of 20%. This budget has not been reviewed or reported on by our auditors. Our bank is going through a continuous revolution and, as with all revolutions, real risks remain.

On behalf of the board

Jannie Mouton
Chairman

Stellenbosch

REGISTERED OFFICE

10 Quantum Road, Techno Park, Stellenbosch 7600, PO Box 12451, Die Boord, Stellenbosch 7613

TRANSFER SECRETARIES

Computershare Investor Services 2004 (Pty) Limited (Registration number: 2004/003647/07)

Ground Floor, 70 Marshall Street, Johannesburg 2001, PO Box 61051, Marshalltown 2107

COMPANY SECRETARY

Christian George van Schalkwyk, BComm, LLB, CA(SA)

DIRECTORS

JF Mouton (Chairman), R Stassen (CEO), AP du Plessis (CFO), MS du P. le Roux, D Lockey, Prof MC Mehl,

Ms NS Mjoli-Mncube, CA Otto, JG Solms, Dr J van Zyl Smit *Executive

SPONSOR

PSG Capital Limited (Registration number: 2002/017362/06)

ANNUAL GENERAL MEETING

Wednesday, 24 May 2006 at 12:00, The Spier Conference Centre, Spier, Lynedoch Road, Stellenbosch, 7600

Instant gratification

At Capitec Bank we believe a client comes to a bank to solve problems, not to create paperwork. A client never leaves Capitec Bank with unfinished business. When a client walks into a branch with her identity document and proof of address, she walks out with an open and active account and with her new *Global One Gold Card* in her pocket. If she is also shopping for a loan and has her payslip and other documents available, the loan is approved (or declined), paid into her new account and is immediately accessible. There is no waiting period and she is not required to wait for the decision of a credit committee.

A client never fills in a form to open an account or to apply for a loan, or even to make a deposit. Capturing information is our job. We do it from the original documents and thereby minimise mistakes.

This is instant gratification on a scale unachievable even by a private bank.

Focus on technology

How do we achieve this? We focus relentlessly on basic banking products. The best efforts of our top team go into designing products that satisfy the exact needs of our clients. An example: the first thing most of our clients do when they visit an ATM is to make a balance enquiry. Most of our competitors charge R2 per enquiry. At our ATMs, the client's balance appears on the screen automatically, and it costs nothing.

Every service provided to a client must produce immediate results. For instance: we capture a photograph of every client on the system and this photograph appears on the screen with the account details whenever a consultant serves that client. When a dormant account is reactivated, a new photograph is taken. The business support centre in Bellville compares the old photograph with the new one and authorises access to the account immediately. At Capitec this is automatically assumed to be a real-time process.

As a result of this approach there is no administrative back room at a Capitec Bank branch. There are no transactions to reconcile or to follow up: everything is done once only. Incidentally, there is no branch manager's office either, because the branch manager works as a consultant and acts as the team leader.

Three hundred thousand bank clients

We have more than doubled the number of savings clients during the year to 374 700. The total value of retail deposits has increased fourfold to R314 million. We expect continued growth. To be a serious player in the market for basic banking, we aim for two million clients, so we still have a long way to go.

The growth in client numbers has not been as a result of growth in the number of branches. At year end we had only two more branches than a year ago, but we are in the process of adding 50 new branches.

We make our profit on our loan products. Five years ago we started with small, one month loans. We have now added loans with a fixed term of up to twelve months. The value of all loans made during the year increased by 27% to R2,9 billion. The value of one month loans has declined slightly and all our growth has been derived from the three, six and twelve month loans. Because of the longer average term of our loans, our net loan book has increased from R208 million a year ago to R455 million.

Profit

We earned R115 million for the year. Our return on equity increased to 23% from 16% last year, which is pleasing. Our profit increased by 71% and for the third consecutive year our attributable earnings increased by 50% or more. Bear in mind, however, that we came off a low base of R30 million three years ago and that conditions are currently very favourable.

We are still building an organisation, so we invested heavily in training and systems. We spent R18 million on training during the past year, an unheard of 10% of our salary bill. Our total expenditure increased by 29%. This trend will continue in the new year, when sales and marketing expenses will grow significantly. Our model requires efficiency, but is not cheap and we are building to serve large numbers of clients. Even so, our cost as a percentage of income declined to 66% (from 73%).

Dividend

The directors propose a 50% increase in dividend to 45c per share, subject to shareholders' approval at the AGM on Wednesday, 24 May 2006 at Spier, Lynedoch Road, Stellenbosch. Last year the dividend was 30c per share. As a growing company we need to conserve our capital for further growth, but at the same time we wish our shareholders to share in the company's success. With a dividend cover of 3,7 times we think we are achieving the right balance between these two goals. This cover has increased slightly from last year.

The following dates apply:

Last day to trade cum dividend
Trading ex dividend commences
Record date
Date of payment

Friday 2 June 2006

Monday 5 June 2006

Friday 9 June 2006

Monday 12 June 2006

Banking made easy

